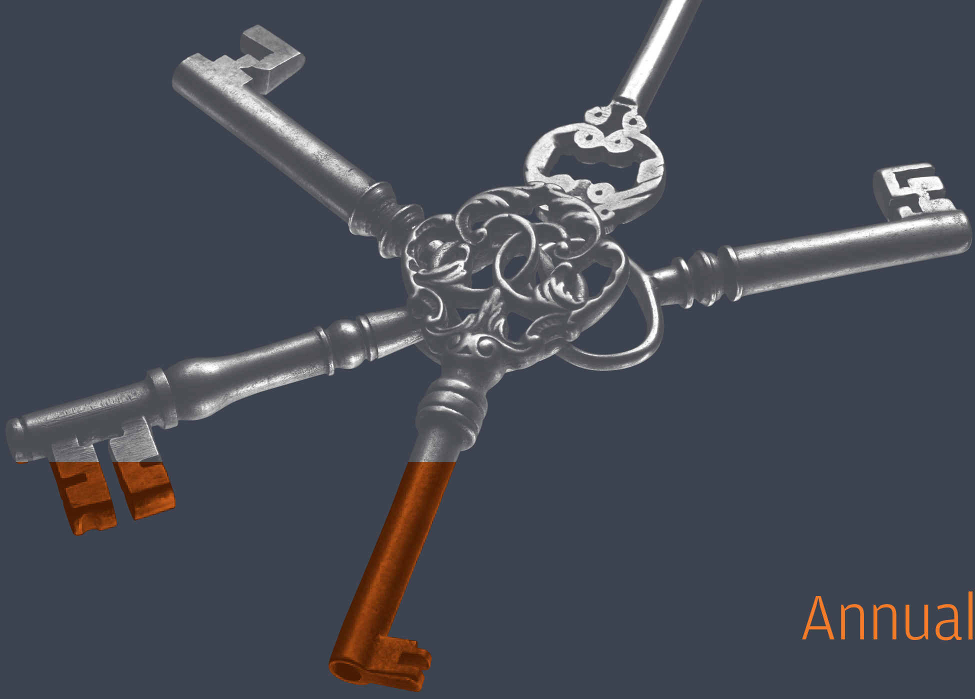


Annual Report 2013

JPMorgan Elect plc

Annual Report & Accounts for the year ended 31st August 2013

– Managed Growth shares
– Managed Income shares
– Managed Cash shares

J.P.Morgan
Asset Management

Features

Contents

JPMorgan Elect plc (the 'Company') adopted its present structure as a result of the combination of JPMorgan Fleming Managed Growth plc and JPMorgan Fleming Managed Income plc and the subsequent capital reorganisation. The Company's name reflects the capital structure and the investment flexibility it offers to shareholders. There are three share classes, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange. This capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

Objectives

Managed Growth – Long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMorgan Asset Management Limited (the 'Manager').

Managed Income – A growing income return with potential for long term capital growth by investing in equities, investment companies and fixed income securities.

Managed Cash – Preservation of capital with a yield based on short term interest rates by investing in a range of liquidity funds and short dated AAA-rated UK or G7 government securities hedged into sterling.

Based on its return characteristics and the costs incurred in transacting in its shares, an investment in Managed Cash should only be considered by existing holders of Managed Growth and/or Managed Income shares who wish to switch into Managed Cash on the designated quarterly conversion dates.

Investment Policies

More information on investment policies and risk management is given in the Directors' Report on pages 35 and 36.

Benchmarks

Managed Growth – A composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK).

Managed Income – A composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

Managed Cash – There is no benchmark for this portfolio.

Capital Structure

At 31st August 2013, the following shares were in issue.

Managed Growth: 37,182,261 (2012: 38,344,436) Ordinary shares, excluding 307,618 (2012: nil) Treasury shares.

Managed Income: 51,894,454 (2012: 53,274,946) Ordinary shares, excluding 630,718 (2012: nil) Treasury shares.

Managed Cash: 13,432,185 (2012: 13,781,140) Ordinary shares, excluding 106,167 (2012: nil) Treasury shares.

Conversions and Repurchase of Managed Cash Shares

Shareholders in any of the three share classes are able to convert some or all of their shares to the other classes on a quarterly basis without such conversion being treated, under current law, as a disposal for UK Capital Gains Tax purposes. It is also possible for holders of Managed Cash shares to elect to have all or part of their holding of those shares repurchased by the Company for cash at a price close to net asset value at each conversion date.

Management Company

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

Association of Investment Companies

The Company is a member of the Association of Investment Companies ('AIC').

Website

The Company's website, which can be found at www.jpmelect.co.uk, includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Chairman's Statement

I am delighted to present the Company's results for the year ended 31st August 2013 which reflect excellent returns for both Managed Growth and Managed Income in both absolute and relative terms. The Investment Managers are to be congratulated on this continued improvement in performance, and I urge shareholders to read the detailed analyses given in their individual reports.

Managed Growth

Performance

The Managed Growth portfolio delivered a total return on net assets of 30.3%, compared with a return of 19.4% for the portfolio's composite benchmark index, (comprised equally of the FTSE All-Share and FTSE World (ex-UK) indices). The share price total return was 32.6%, reflecting a tightening of the discount at which the shares trade over the period.

Dividends

Shareholders will remember that there is no specific income objective for the Managed Growth class, the dividend simply reflects the payments received from the underlying investments net of costs. Dividends, which are paid quarterly, comprised four interim dividends totalling 7.00 pence in respect of the Company's financial year to the end of August 2013, compared with 5.95 pence last year.

Share Capital

In the year to 31st August 2013, 730,780 Managed Growth shares were repurchased for cancellation and 307,618 Managed Growth shares were repurchased into Treasury. As is the case for all three share classes, the shares were repurchased at a discount to net asset value, thereby benefiting all continuing shareholders. Since the year end, the portfolio has repurchased a further 28,544 shares into Treasury.

Treasury shares in each share class will only be reissued at a premium to net asset value following shareholder approval at each Annual General Meeting.

Managed Income

Performance

Total dividends rose for the third consecutive year to 3.55 pence per share compared with 3.40 pence last year. The yield on the portfolio is currently at a 12% premium to the FTSE All-Share Index.

The portfolio produced a total return on net assets of 21.2% during the year ended 31st August 2013, representing a 5.1 percentage point outperformance of the composite benchmark (comprised of 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms). The share price total return was 21.0%, reflecting a slight widening of the discount over the period.

Chairman's Statement continued

Dividends

Dividends on Managed Income shares are paid quarterly in March, June, September and December each year. As the level and timing of dividend receipts from the underlying investments varies throughout the year, the quarterly dividends are not necessarily of equal amounts.

Share Capital

In the year to 31st August 2013, 411,784 Managed Income shares were repurchased for cancellation and 630,718 Managed Income shares were repurchased into Treasury. Since the year end, the portfolio has repurchased a further 51,201 shares into Treasury.

Managed Cash

Performance

The portfolio's primary objective remains capital preservation through investment in high quality liquidity funds. The Bank of England base rate has remained at 0.5% and the returns generated by the portfolio's underlying money market funds therefore continue to be low, providing a total return on net assets of 0.2% with a 0.2% return to shareholders.

The Board expects cash to remain an unattractive investment choice at this point in the market cycle. This has been reflected in the size of the Managed Cash pool which, at the time of writing, has net assets of £8.3 million following a redemption of £5.7 million shares after the year end. However, despite the relative unattractiveness of the share class at this stage of the cycle, the Board considers the Managed Cash option to be an asset allocation tool which continues to benefit shareholders of all of the Company's share classes.

Dividends

Income remains very low, which is reflected in the payment of one dividend of 0.15 pence per share. Dividends will always be dependent on the level of interest rates and shareholders should not expect any more than minimal distributions from this portfolio until interest rates return to more conventional levels.

Share Capital

In the year to 31st August 2013, 10,000 Managed Cash shares were issued, 201,019 Managed Cash shares were repurchased for cancellation and a further 106,167 Managed Cash shares were repurchased into Treasury. Since the year end, there have been no further share repurchases into Treasury, but 5.7 million Managed Cash shares were repurchased for cancellation.

The Managed Cash portfolio is invested in liquidity funds with AAA ratings as measured by Standard & Poor's, or an equivalent rating agency. As previously reported, although the money market funds within the portfolio are subject to the Institutional Money Markets Funds Association's ('IMMFA') Code of Practice and to scrutiny by rating agencies, shareholders should be aware that such investments are not classified as completely risk free. Returns on such portfolios remain low.

Directors

The Board continues to follow corporate governance best practice and, in accordance with this, your Directors will all seek reappointment at each Annual General Meeting.

Investment Managers

In July, the Board was pleased to announce that Katy Thorneycroft had been joined by Nadia Grant in managing the portfolios of JPMorgan Elect Managed Growth and Managed Cash. Ms Grant replaced Jonathan Lowe in this role.

Ms Grant is a portfolio manager in the Multi-Strategy Solutions team and has been with JPMorgan since 2000 holding a number of roles in portfolio management, analysis and risk management.

On behalf of the Board and all shareholders, I should like to record my thanks to Mr Lowe for the very substantial contribution he has made to Managed Growth since he was first appointed more than ten years ago. Ably succeeded by Mrs Thorneycroft in the lead role, he has in recent years continued to support the fund from Hong Kong. We are very grateful for what he achieved for our shareholders and wish him well in his continuing career with the Manager.

Conversion Opportunities Between Share Classes

Shareholders are able to convert all or part of any class of holding into any other class at the end of February, May, August and November each year. Details on how to convert can be found on pages 84 and 85 and on the Company's website. Shareholders will note that only three conversions fell within the Company's reporting year ended 31st August 2013. This is because 31st August 2013 was not a business day and the effective date for the conversion was 2nd September 2013. Five conversions will fall in the reporting year ending 31st August 2016, the next year during which 31st August falls on a business day.

Alternative Investment Fund Managers Directive ('AIFMD')

The Board is taking advice on the implications of AIFMD for the Company and is pleased to confirm that it has agreed in principle to appoint JPMorgan as the Alternative Investment Fund Manager pursuant to the new regulations. Whilst the

Chairman's Statement continued

implementation of the AIFMD will entail the appointment of a new JPMorgan entity as the Company's investment manager, the main changes of note for shareholders will be some new reporting requirements and the appointment of a depositary which will oversee the Company's custody and cash management operations. Further information will be announced as the implementation of AIFMD progresses.

It is anticipated that the new arrangements will be in place by 15th July 2014.

Outlook

We remain positive about the future prospects for equities and dividends, particularly in the light of some signs of improvement in markets. The Investment Managers continue to align their portfolios with their investment convictions and the Board is naturally pleased with the resulting outperformance by Managed Growth and Managed Income. However, I believe it is prudent after a period of such outperformance not to expect it to be sustained at this level.

Annual General Meeting

The Company's Annual General Meeting will be held at 200 Aldersgate, St Paul's, London EC1A 4HD on Thursday, 19th December 2013 at 12 noon. In addition to the formal part of the meeting, there will be presentations from the Investment Managers of each share class and a question and answer session. Please submit in writing, any detailed questions that you wish to raise at the AGM to the Company Secretary, JPMorgan Elect plc, Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

Shareholders who are unable to attend the AGM in person are encouraged to raise any concerns or comments by writing to me at the Company's registered address above, or via the Company's website by following the 'Ask the Chairman' link at www.jpmelect.co.uk.

Robert Ottley
Chairman

30th October 2013

Managed Growth Share Class Financial Results

Total returns (includes dividends reinvested)

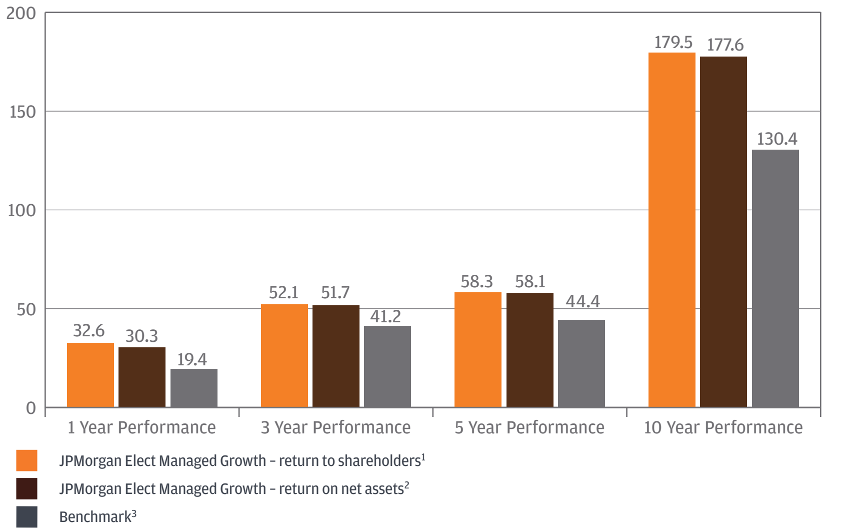
+32.6%
Return to shareholders[1]
(2012: +3.3%)

+30.3%
Return on net assets[2]
(2012: +5.2%)

+19.4%
Benchmark return[3]
(2012: +9.8%)

7.00p
Dividend
(2012: 5.95p)

Managed Growth Long Term Performance



Financial Data

	31st August 2013	31st August 2012	% change
Shareholders' funds (£'000)	**192,737**	154,833	+24.5
Number of shares in issue[4]	**37,182,261**	38,344,436	-3.0
Net asset value per share	**518.4p**	403.8p	+28.4
Share price	**507.5p**	388.5p	+30.6
Share price discount to net asset value per share	**2.1%**	3.8%	
Ongoing Charges[5]	**0.58%**	0.51%	

A glossary of terms and definitions is provided on page 83.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: J.P. Morgan/Bloomberg. The benchmark is a composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK).

[4]Excluding 307,618 (2012: nil) Treasury shares.

[5]Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

Investment Managers' Report

Katy Thorneycroft

Nadia Grant

Market Review

Global markets have performed strongly over the twelve months to the end of August, although it is worth noting that the main gains came in the first six months of the period under review. Risk appetite was markedly higher for much of the period as investors gained confidence in central bank policies and welcomed the pick up in growth. The year was not without its uncertainty, however.

Starting with the US, we saw concerns over, then resolution of, the 'fiscal cliff' in the US towards the end of 2012 where the debate centred on whether the advantageous tax policies would prove permanent in nature. We also saw the Fed adopt numerical targets for unemployment and inflation whereby they said rates would remain low while unemployment is greater than 6.5% and inflation below 2.5%. Later, Bernanke frightened markets with comments that tapering would begin over the next few meetings, at a time when there was something of a pothole in growth. Finally in the US, the most recent concern at the time of writing is the resolution of the debt ceiling.

In Japan, we saw the advent of 'Abenomics' named after Prime Minister Abe, with the focus on three key areas – monetary policy, fiscal policy and supply-side reforms – to shake off years of deflation. In particular, the Bank of Japan is targeting 2% inflation through extreme levels of quantitative easing. The yen weakened dramatically and the Japanese equity market rose substantially initially, but moved in a more range bound fashion from April onwards.

In Europe, the twelve months under review began with Mario Draghi, President of the European Central Bank ('ECB'), reiterating once more that the euro is irreversible and that the ECB would do 'whatever' it takes to protect the euro. This had the result of enabling investors to focus on Europe returning to growth and the attractive equity market valuations, rather than being concerned with a break-up of the eurozone. European equities are very much exposed to global growth and so despite lacklustre growth domestically we have seen European equities benefit as global growth has picked up. With the exception of Greece, fiscal headwinds are likely to subside going forward.

Emerging markets have underperformed substantially over the period. Global growth has not been sufficiently strong to benefit emerging market companies who have been suffering from high inflation in many regions. Valuations are attractive versus history and versus emerging market debt but are in line with averages versus developed markets. We believe the underperformance we have seen has been because of a worse cycle than in the past, rather than major structural concerns.

Comparing equity market performance across regions, sterling investors saw the best returns in Japan followed by Europe and the US. The UK came next with Asia and emerging markets being the worst performers with only single digit positive returns. Sterling weakness boosted returns everywhere except Japan, where the yen's weakness diminished returns for sterling investors.

Performance Review

The Managed Growth portfolio delivered a total return on net assets of 30.3% to the end of August. This was ahead of its benchmark return of 19.4%. The return to shareholders was 32.6%.

Total returns to 31st August 2013

Managed Growth	Six months	One year	Two years	Three years	Five years	Ten years
NAV Return (%)	+8.1	+30.3	+37.1	+51.7	+58.1	+177.6
Benchmark Return (%)	+3.6	+19.4	+31.2	+41.2	+44.4	+130.4
FTSE All-Share Index (%)	+4.1	+18.9	+31.0	+40.5	+42.6	+133.8
FTSE World Index (ex-UK) (%)	+3.2	+20.1	+32.3	+43.2	+47.9	+121.5

Source: Bloomberg/J.P. Morgan.

Composite Benchmark returns are rebalanced on a month to month basis which will accordingly not necessarily result in the Composite Benchmark comprising exactly 50% of each of the underlying indices' returns.

Asset allocation did not contribute to relative returns this period. Any gains we might have made from allocating more assets to the US and Europe were offset by having too large a weight to Asia and emerging markets despite having reduced this substantially over the twelve months.

Most of the gains above the benchmark this period came from choosing the right funds. Having decided the region of the world in which we want to invest, and having decided whether to invest in small cap or large cap, the drivers of our fund selection decision are twofold. We want to choose good managers that can outperform their own benchmarks and we want to invest at a reasonable discount if possible. Of the outperformance that came from fund selection we would estimate that approximately one third came from discount tightening and the balance came from choosing the right managers.

To expand on this, it was a strong period for our managers, with the majority outperforming their benchmarks. Of particular note amongst our largest JPMorgan holdings are JPMorgan UK Dynamic, JPMorgan Claverhouse Investment Trust plc and JPMorgan Japanese Investment Trust plc. The best performing third party managers were Biotech Growth, BlackRock Frontier, Fidelity Special Values and RCM Technology. Some managers had a more difficult period. Of the JPMorgan strategies, JPMorgan Brazil Investment Trust plc, JPMorgan Indian Investment Trust plc and JPMorgan Smaller Companies Investment Trust plc underperformed their benchmarks. Artemis Alpha, Edinburgh Dragon and Hansa Trust were amongst the third party positions that performed the worst against their own benchmarks.

The narrowing of discounts contributed to returns over the period. Discounts across the broad universe have moved in by about 4% on average over the twelve months and we benefited more than this within the Managed Growth portfolio. As an example

Investment Managers' Report continued

we saw the discounts narrow for JPMorgan US Smaller Companies Investment Trust plc, Fidelity Special Values and RCM Technology by 10% or more. The few investment trusts that we held over the period that saw some discount widening included Biotech Growth, Artemis Alpha and JPMorgan Brazil Investment Trust plc.

Portfolio Review

At the end of August the Managed Growth portfolio was invested 50.4% in JPMorgan managed investment trusts, 24.5% in JPMorgan managed open ended funds and 22% invested in third party managed investment trusts. One big change over the course of the year has been to start using futures to more efficiently implement our asset allocation views. The futures exposure was 2.3% at the end of August. There are three key drivers of the return of the Managed Growth portfolio: regional positioning, fund manager selection and the discount at which we buy and sell the underlying investment trusts. The investment trust universe has a level of liquidity similar to that of small cap equities and being able to use futures to implement our asset allocation views will enable us to be more efficient in reflecting our asset allocation views without having to always trade physical positions.

Our asset allocation views drove a number of transactions within the portfolio. Amongst our largest trades we reduced our position in JPMorgan Emerging Markets Investment Trust plc, and sold Hang Seng futures to reduce our emerging markets and Asian exposure. We increased our US exposure by adding to our open ended funds and futures over and above JPMorgan American Investment Trust plc due to the investment trust trading on a premium for much of the period. We also introduced a new holding in the US allocation during the period, JPMorgan US Value. We increased our European exposure by adding to JPMorgan European Investment Trust plc (Growth shares) and Fidelity European Values. We used FTSE futures to reduce our underweight position in the UK. We increased our Japanese exposure by buying Schroder Japan Growth and JPMorgan Japanese Investment Trust plc.

Other transactions were driven by discount movements. Within the UK allocation we added to Fidelity Special Values when it was trading on a discount wider than 10%, and reduced Biotech Growth when it was trading around net asset value (having traded between a 7% and 10% discount for most of 2011).

Finally, some transactions were due to strong or weak performance (both absolute and relative to underlying benchmarks). We sold BlackRock World Mining, and reduced Hansa Trust and Ecofin as we have been disappointed with performance and felt there were better opportunities elsewhere. We also reduced JPMorgan UK Smaller Companies Investment Trust plc after a period of strong performance of the asset class, and Finsbury Growth & Income after strong manager performance. On the purchases we added to a position in Impax Environmental Markets after a long period of underperformance but where, on speaking to the manager, we felt that there were signs for optimism for the sector and where the discount was attractive.

Market Outlook

We believe that global growth will accelerate in to 2014, with moderating inflation. Monetary policy remains accommodative in the developed markets and we do not expect rate increases from any major central banks. For the most part (perhaps excluding the consumption tax rise in Japan and the negotiations over the debt ceiling in the US) fiscal austerity is diminishing. This improving growth, moderating inflation, accommodative policy environment is typically the most positive for risk assets in both absolute and in risk-adjusted terms. Historically this environment is positive for equities versus bonds, and within equities it favours the cyclical markets of Europe, Japan and emerging markets. However, in this cycle we believe that there are reasons to suggest that the intermediate term outlook for emerging markets is less attractive than would usually be the case. Our view that we will achieve better returns in Europe and Japan than emerging markets is a cyclical view, not a structural view. In addition, we are positive on the US as this is the region where macro momentum is the strongest, but will watch the negotiations over the debt ceiling closely for any likely impact on our growth expectations.

In the investment trust universe we have seen a continued tightening of discounts. We have discussed in previous reports the structural drivers of this (increased buybacks and discount control mechanisms) and the cyclical drivers (desire for yield). For the time being we do not see that either of these supports will change; however as the Fed begins to reduce its asset purchases at some point over the coming months the flows that have bid up income oriented investment trusts may start to diminish. We will continue to aim to buy our investments on wider discounts and sell on narrower discounts or premiums and fortunately are not focusing on the income focused strategies in the investment trust universe for the Managed Growth portfolio.

It is fair to say that given we have benefited from strong manager performance and tightening discounts, we would expect more modest outperformance going forward.

Katy Thorneycroft
Nadia Grant
Investment Managers

30th October 2013

Financial Record

As at 31st August	2003	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012	2013
Net asset value per share (p)	221.6	230.2	301.5	362.0	404.2	356.0	332.0	356.3	389.4	403.8	**518.4**
Share price (p)	215.0	226.0	293.8	353.5	389.5	346.5	321.0	349.0	382.0	388.5	**507.5**

Year ended 31st August	2003	2004	2005[1]	2006	2007	2008	2009	2010	2011	2012	2013
Revenue return per share (p)	3.85	3.63	3.82	5.23	5.06	5.65	7.25	5.02	5.31	6.25	**6.77**
Dividends per share (p)	3.50	3.50	3.72	5.20	5.25	5.65	7.15	5.05	5.00	5.95	**7.00**
Discount (%)	3.0	1.8	1.8	2.3	3.6	2.7	3.3	2.0	1.9	3.8	**2.1**
Gearing/(Net Cash)[2] (%)	(3.2)	(4.8)	(2.8)	(5.0)	(2.6)	(5.1)	(2.6)	(1.1)	(1.9)	(1.0)	**(2.8)**
Ongoing charges[3] (%)	0.51	0.52	0.50	0.41	0.44	0.43	0.63	0.49	0.51	0.51	**0.58**

A glossary of terms and definitions is provided on page 83.

[1]Restated for the change in accounting policy regarding dividends payable, which are included in the accounts in the year in which they are approved by shareholders. Years prior to 2005 have not been restated.

[2]Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

[3]Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year (2011 to 2009: Total Expense Ratio: Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year; 2008 and prior years: expressed as the average of the opening and closing net assets).

Ten Largest Investments

Company	31st August 2013 Valuation £'000	%[1]	31st August 2012 Valuation £'000	%[2]
JPMorgan Claverhouse Investment Trust plc	**24,028**	**12.5**	17,664	11.4
JPMorgan UK Dynamic ('A' shares)[3]	**19,839**	**10.3**	14,041	9.1
JPMorgan American Investment Trust plc	**12,594**	**6.5**	12,239	7.9
The Mercantile Investment Trust plc	**9,849**	**5.1**	8,262	5.3
JPMorgan US Growth ('C' shares)[3]	**9,272**	**4.8**	10,006	6.5
JPMorgan US Select Equity ('C' shares)[3]	**9,128**	**4.8**	10,743	6.9
JPMorgan US Value ('C' shares)[3,5]	**9,043**	**4.7**	–	–
JPMorgan Japanese Investment Trust plc	**8,678**	**4.5**	5,783	3.7
JPMorgan European Investment Trust plc (Growth shares)[4]	**8,444**	**4.4**	4,934	3.2
JPMorgan Smaller Companies Investment Trust plc	**7,939**	**4.1**	6,437	4.2
Total[6]	**118,814**	**61.7**		

[1]Based on net assets of £192.7m.

[2]Based on net assets of £154.8m.

[3]Represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').

[4]Not included in the ten largest investments at 31st August 2012.

[5]Not held in the portfolio at 31st August 2012.

[6]At 31st August 2012, the value of the ten largest investments amounted to £97.3m, representing 62.8% of net assets.

Geographical Analysis
(on a look through basis)

Region	31st August 2013 Portfolio %[1]	31st August 2013 Benchmark %	31st August 2012 Portfolio %	31st August 2012 Benchmark %
UK	**44.4**	**50.0**	41.1	50.0
North America	**28.8**	**29.3**	29.0	28.8
Continental Europe	**12.0**	**9.2**	9.3	9.2
Emerging Markets and others	**6.8**	**3.4**	7.5	4.1
Japan	**6.0**	**4.9**	4.9	4.0
Asia (excluding Japan)	**2.0**	**3.2**	8.2	3.9
Total Portfolio	**100.0**	**100.0**	100.0	100.0

[1]Based on total portfolio of £186.8m, including open exposure to futures contracts. (2012: £154.8m). Refer to notes 11 and 14 on pages 66 and 67 for further disclosure.

M A N A G E D   G R O W T H

List of Investments

at 31st August 2013

	Valuation £'000
JPMorgan Managed Investment Trusts	
JPMorgan Claverhouse	24,028
JPMorgan American	12,594
The Mercantile	9,849
JPMorgan Japanese	8,678
JPMorgan European (Growth shares)	8,444
JPMorgan Smaller Companies	7,939
JPMorgan European Smaller Companies	4,525
JPMorgan US Smaller Companies	4,347
JPMorgan Asian[1]	4,294
JPMorgan Emerging Markets	2,713
JPMorgan Income & Capital (Ordinary shares)	2,546
JPMorgan Japan Smaller Companies[1]	1,735
JPMorgan Overseas[1]	1,128
JPMorgan Indian	1,127
JPMorgan Chinese	1,104
JPMorgan Russian Securities	650
JPMorgan Brazil	582
JPMorgan Income & Growth (Capital shares)	440
JPMorgan Income & Growth (Units)	411
	97,134
Externally Managed Investment Trusts	
RCM Technology	5,921
Fidelity Special Values	5,625
Finsbury Growth & Income	4,540
Fidelity European Values	3,952
Schroder UK Growth	3,574
Artemis Alpha[1]	3,281
Edinburgh Worldwide	2,960
Impax Environmental Markets	2,742
Biotech Growth	2,635
Jupiter European Opportunities	1,890
BlackRock Frontier	1,429
Schroder Japan Growth	1,061
Perpetual Income & Growth	968
Hansa Trust ('A' non-voting shares)	963
Edinburgh Dragon	864
	42,405

	Valuation £'000
JPMorgan Managed Open Ended Investment Companies	
JPMorgan UK Dynamic ('A' shares)[2,3]	19,839
JPMorgan US Growth ('C' shares)[2,3]	9,272
JPMorgan US Select Equity ('C' shares)[2,3]	9,128
JPMorgan US Value ('C' shares)[2,3]	9,043
	47,282
Total Portfolio	**186,821**
Derivative Instruments	
Futures[4]	
Topix Index Futures Sep 2013	72
Hang Seng Index Futures Sep 2013	(7)
S&P500 E-Mini Futures Sep 2013	(16)
FTSE 100 Index Futures Sep 2013	(48)
Total Derivative Instruments	**1**
Total Portfolio and Derivatives	**186,822**

[1]Both ordinary and subscription shares held.

[2]Unlisted.

[3]Represents a holding in an Open Ended Investment Company ('OEIC') or a Société d'Investissements à Capital Variable ('SICAV').

[4]Refer to notes 11 and 14 on pages 66 and 67 for further disclosure.

Income Statement

for the year ended 31st August 2013

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains on investments held at fair value through profit or loss	**–**	**43,403**	**43,403**	–	5,500	5,500
Net foreign currency (losses)/gains	**–**	**(3)**	**(3)**	–	8	8
Income from investments	**3,180**	**–**	**3,180**	2,988	–	2,988
Other interest receivable and similar income	**1**	**–**	**1**	8	–	8
Gross return	**3,181**	**43,400**	**46,581**	2,996	5,508	8,504
Management fee	**(129)**	**(387)**	**(516)**	(95)	(284)	(379)
Other administrative expenses	**(508)**	**–**	**(508)**	(416)	–	(416)
Net return on ordinary activities before finance costs and taxation	**2,544**	**43,013**	**45,557**	2,485	5,224	7,709
Finance costs	**–**	**–**	**–**	(1)	(2)	(3)
Net return on ordinary activities before taxation	**2,544**	**43,013**	**45,557**	2,484	5,222	7,706
Taxation credit	**2**	**–**	**2**	8	–	8
Net return on ordinary activities after taxation	**2,546**	**43,013**	**45,559**	2,492	5,222	7,714
Return per Managed Growth share	**6.77p**	**114.44p**	**121.21p**	6.25p	13.10p	19.35p

Balance Sheet

at 31st August 2013

	2013 £'000	2012 £'000
Fixed assets		
Investments held at fair value through profit or loss	**186,821**	152,854
Current assets		
Financial assets: Derivative financial instruments	**72**	–
Debtors	**694**	490
Cash and short term deposits	**5,347**	1,586
	6,113	2,076
Creditors: amounts falling due within one year	**(126)**	(97)
Financial liability: Derivative financial instruments	**(71)**	–
Net current assets	**5,916**	1,979
Net assets	**192,737**	154,833
Net asset value per Managed Growth share	**518.4p**	403.8p

MANAGED INCOME

Managed Income Share Class Financial Results

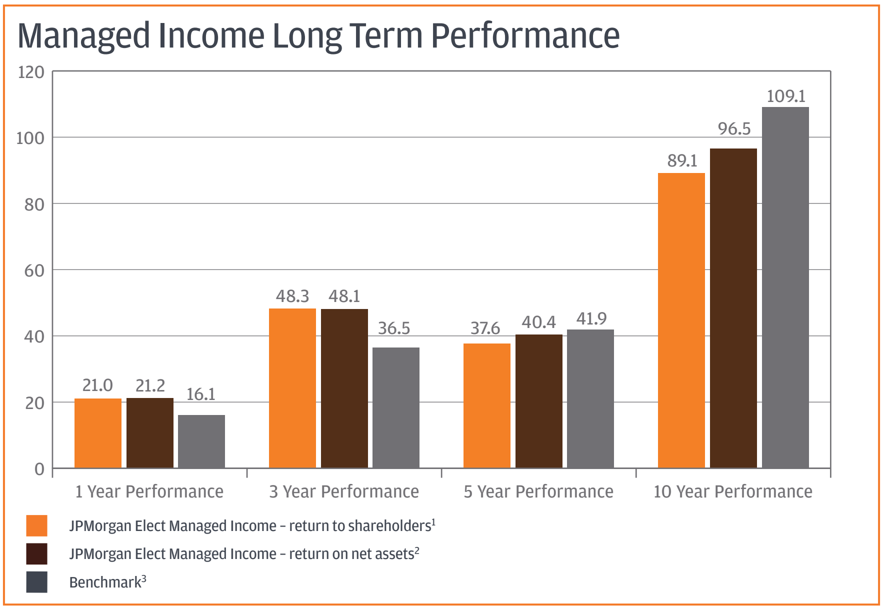
Total returns (includes dividends reinvested)

+21.0%
Return to shareholders[1]
(2012: +9.5%)

+21.2%
Return on net assets[2]
(2012: +10.6%)

+16.1%
Benchmark return[3]
(2012: +10.2%)

+4.4%
3.55p Dividend
(2012: 3.40p)



Financial Data

	31st August 2013	31st August 2012	% change
Shareholders' funds (£'000)	**49,271**	43,385	+13.6
Number of shares in issue[4]	**51,894,454**	53,274,946	-2.6
Net asset value per share	**94.9p**	81.4p	+16.6
Share price	**91.3p**	78.5p	+16.3
Share price discount to net asset value per share	**3.8%**	3.6%	
Net yield per share[5]	**3.9%**	4.3%	
Ongoing Charges[6]	**0.73%**	0.71%	

A glossary of terms and definitions is provided on page 83.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Source: J.P. Morgan/Bloomberg. The benchmark is a composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

[4]Excluding 630,718 (2012: nil) Treasury shares.

[5]The net yield calculation is based on total dividends per share, expressed as a percentage of the closing share price.

[6]Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

Investment Managers' Report

John Baker

Sarah Emly

Review

The UK equity market had a strong twelve months to 31st August 2013, with the FTSE All-Share Index returning +18.9%. Mid and small cap stocks performed particularly strongly in the year – the FTSE Mid 250 and the FTSE Small Cap indices were up 31.7% and 34.5% respectively, whilst the large cap FTSE 100 index lagged, with a return of +16.6%. Many UK companies continued to generate strong profits and deliver dividend growth, as well as providing shareholders with attractive capital returns. Equity market returns were driven by economic recovery at the domestic and the global levels, supported by the major central banks' accommodative policies.

Periodic market weakness resulted from US fiscal and monetary policy developments: towards the end of 2012, party political wrangling over the US fiscal cliff momentarily weighed on markets, while speculation about the US Federal Reserve beginning to reduce its asset purchases caused volatility towards the end of the period. Nevertheless, the UK equity market made meaningful gains for the period as a whole and outperformed global credit, with the Barclays Capital Global Corporate Bond Index (sterling hedged) returning a much more modest +1.0% in the year to the end of August 2013.

The UK economy appeared to be on the mend, with the twelve months seeing a slew of positive data, which served to boost both consumer and business sentiment. The UK economy expanded by 0.7% in the second quarter, building on solid first quarter growth after a surprise contraction in the final quarter of 2012. In the labour market, wage growth was muted, with average pay increases falling short of inflation. Despite the pressure on wages, consumer sentiment hit a six year high in September. Consumer confidence was supported by UK interest rates remaining at record lows.

Mark Carney, the new Governor of the Bank of England ('BoE'), introduced forward guidance into the BoE's monetary policy toolkit. In his first meeting in July 2013, he reaffirmed the Central Bank's commitment to keeping interest rates at a record low for some time to come, and maintaining the ongoing asset purchase programme. In August, Carney signalled that a fall in unemployment to at least 7% would be a key condition for any change in interest rate policy.

Elsewhere in Europe, the eurozone economy showed tentative signs of strengthening. A broad-based economic recovery also appeared to be taking hold in the US, and although the Federal Reserve caused some jitters over the summer by hinting at a potential scaling back of its quantitative easing programme, conditions remained accommodative, and generally supportive for developed market equities.

In a low interest rate environment, the UK equity market's income attractions remained strong, with many companies delivering stronger-than-expected dividend growth, having strengthened their balance sheets and built up cash reserves in recent years.

Dividend Review

As outlined in the Chairman's statement, the total dividend per share of Managed Income for the year ended 31st August 2013 was 3.55p, an above-inflation increase of 4.4% on the previous year's dividend per share. This twelve month period has been encouraging in terms of dividend growth from UK companies, and the total revenue generated by Managed Income was up 14% on last year, with a number of our companies announcing special dividends, as well as growth in their normal dividends. As a result of this, Managed Income has been able to increase its own dividend, whilst also strengthening its revenue reserve.

Investment Managers' Report continued

A number of our holdings have delivered strong annual dividend growth, including Legal & General, Prudential, DS Smith, Rio Tinto and Aberdeen Asset Management, often exceeding the market's expectations. In addition to these regular dividends, some of our holdings have also paid special dividends to their shareholders, including ITV which paid 4p per share as well as increasing their normal dividend by over 60% year-on-year. We continue to focus on income and dividend growth prospects when selecting our best stock ideas for the portfolio, and are aiming to generate a further increase in revenue per Managed Income share in the new financial year to the end of August 2014.

Performance Review

In the twelve months to 31st August 2013, the Managed Income portfolio delivered a return on net assets of +21.2% against the total return of the composite benchmark of +16.1%. Over the twelve month period the FTSE All-Share index rose by 18.9% whilst the Barclays Capital Global Corporate Bond Index rose by just 1.0%. The portfolio benefited from strong stock selection within the UK equity portfolio and also from being overweight in equities and underweight in corporate bonds over the period.

The table below summarises the performance of the Managed Income portfolio over the past ten years.

Total returns to 31st August 2013

Managed Income	Six months	One year	Two years	Three years	Five years	Ten years
NAV Return (%)	+5.1	+21.2	+34.1	+48.1	+40.4	+96.5
Benchmark Return[1,2] (%)	+3.3	+16.1	+28.0	+36.5	+41.9	+109.1
FTSE All-Share Index (%)	+4.1	+18.9	+31.0	+40.5	+42.6	+133.8
Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (%)	-1.6	+1.0	+10.8	+13.5	+36.7	+74.5

Source: J.P. Morgan/Bloomberg.

[1]Prior to 28th February 2009, the benchmark was a composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

[2]Composite Benchmark returns are rebalanced on a month to month basis which will accordingly not necessarily result in the Composite Benchmark comprising exactly 85% of the FTSE All-Share Index and 15% of the Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

During the first half of the financial year, the six months to 28th February 2013, the portfolio benefited from strong stock selection within the UK equity portfolio and also from being overweight in equities during this period of strong equity market returns. During the second half of the year, to the end of August 2013, UK stock selection remained favourable, whilst maintaining an underweight position in corporate bonds was also a positive contributor.

For the year as a whole, UK stock selection was the primary driver of the portfolio's outperformance of its benchmark, with the UK equity portfolio strongly outperforming the positive returns of the FTSE All-Share Index. The most significant contributor to performance over the twelve months was our overweight position in the low cost airline group, easyJet, which performed very strongly in share price terms as it consistently delivered profit growth ahead of market expectations. Another strong performer was our position in ITV, the television broadcaster which grew its profits significantly and announced strong dividend growth and a special dividend to its shareholders, achieving both capital and income growth for the Company. A number of other domestically focused stocks, including BT and house builders such as Taylor Wimpey and Berkeley Group, also delivered strong outperformance. These stocks delivered significant profit growth which encouraged strong share price performance, whilst also delivering growing dividends or returns of cash to shareholders; again supporting our focus on income growth for the Company.

The portfolio also benefited from our decision not to hold any BG Group, the low dividend yielding oil major; BG Group announced a profit warning in late October 2012 which led to significant weakness in its shares. By contrast, not owning the non-dividend paying bank, Lloyds Banking Group, was detrimental to performance over the year, as this company's share price increased substantially over the twelve months as it delivered a good profit recovery whilst strengthening its capital position.

Other detractors included our long term overweight position in Imperial Tobacco, the undervalued and cash generative defensive stock whose share price performance failed to match that of the positive equity market, despite its premium dividend yield. Although positive from a dividend growth point of view, our holding in Rio Tinto, the leading iron ore producer, was detrimental to performance over this period as mining stocks suffered from falling commodity prices and concerns over the slowing rate of economic growth in China. Overall the portfolio's performance was encouraging over the financial year, with the underlying stock selection outperforming the positive returns from the UK equity market, whilst being overweight in equities was also beneficial.

Portfolio Review

Over the course of the financial year we further increased our overweight allocation to equities relative to the portfolio's composite benchmark, by lowering our allocation to corporate bonds. We believe that the prospects for equities are positive as there are increasing signs that growth in the UK economy is accelerating. Global economic growth is also important given that UK companies derive a significant proportion of their revenues from abroad. Companies are well placed to benefit from this recovery as they have historically high levels of cash that can be utilised to finance their growth ambitions.

We regularly mention our investment philosophy which we believe is key to the outperformance of the portfolio relative to its benchmark. Therefore we will continue to focus our investments in companies where the news flow is positive, valuations attractive and where balance sheet and strong cash flow generation allow for high and sustainable dividend yields and dividend growth.

The cash raised from the reduction in our allocation to bonds was reinvested in new stock ideas. For example, we purchased a holding in the house builder, Persimmon, following very good results. Strong cash generation from the company allowed it to return cash to shareholders through a special dividend. The outlook for house builders is improving as sales recover from very low levels. Furthermore, the Government sees construction as a key driver of employment and therefore has supported the sector through budgetary measures such as 'Help to Buy'.

Mondi is a paper and packaging company that we also introduced to the portfolio. The dividend yield was attractive, as was the growth potential. The company has

Investment Managers' Report continued

subsequently performed well as it is benefiting from a cyclical recovery in its end markets whilst longer term, the packaging industry has become less competitive following a period of consolidation. We also increased the portfolio's position in Vodafone which we own because of its premium dividend yield. The news flow was improving at the time of purchase which was fortuitous in the light of the shares' subsequent performance on the announcement of its disposal of its US assets to Verizon.

Conversely, we sold our position in Lancashire Holdings. We had liked the company for a long time due to its policy of returning cash to shareholders when the insurance market was soft rather than investing in unprofitable business. However, an acquisition of a conventional Lloyds' business marked a strategic u-turn which puts forecast dividend growth at risk. We also sold our position in Melrose Industries as its valuation had become less attractive following a rise in share price. Other sales included the real estate group, Hammerson, and a reduction of the holding in the international beverage company, Diageo, given its more expensive valuation and low dividend yield.

Outlook

The UK economy may, at last, have turned a corner, showing signs of a broad-based recovery. As well as being a driver of the economic recovery, the UK corporate sector stands to benefit from a brightening in the outlook for domestic and global GDP growth. This should go some way to boosting the earnings and profitability of many UK companies, including both the more domestically focused and the more internationally oriented groups.

The BoE's guidance regarding the future path of monetary policy received a mixed reaction. Gilt yields continued to rise as investors priced in an earlier-than-expected interest rate rise given the recent improvement in the economic outlook. However, with interest rates set to remain at 0.5% at least until the unemployment rate has fallen to 7%, conditions are likely to remain accommodative in the short term. The estimate for second quarter GDP growth was revised upwards, to 0.7%, and early indicators of economic activity for the final quarter of the year have hinted at further strengthening. The eurozone outlook is also improving whilst investors' confidence in the outlook for the developed economies has strengthened.

UK companies remain financially robust. Their willingness to pay dividends continues and UK equities remain attractively valued in comparison with other asset classes. Income growth remains an important driver of our stock selection decisions and we continue to believe that the UK equity market offers opportunities for both income and capital growth for our shareholders.

John Baker
Sarah Emly
Investment Managers

30th October 2013

Financial Record

As at 31st August	2003	2004[1]	2005[2]	2006	2007	2008	2009	2010	2011	2012	2013
Net asset value per share (p)	77.4	79.1	97.2	108.7	113.8	86.4	69.6	72.9	76.9	81.4	**94.9**
Share price (p)	79.0	77.0	95.0	106.5	109.0	84.5	69.5	70.0	75.0	78.5	**91.3**
Year ended 31st August											
Revenue return per share (p)	4.00	3.31	4.35	4.23	5.12	5.52	3.55	2.68	3.32	3.48	**3.97**
Dividends per share (p)	4.36	2.85	3.50	3.75	4.12	4.30	4.30	3.30	3.35	3.40	**3.55**
Special dividends per share (p)	–	–	–	–	1.00	1.15	–	–	–	–	**–**
Premium/(discount) (%)	2.1	(2.7)	(2.3)	(2.0)	(4.2)	(2.2)	(0.1)	(4.0)	(2.5)	(3.6)	**(3.8)**
Net yield per share[4] (%)	5.5	3.7	3.7	3.5	4.7[3]	6.4[3]	6.2	4.7	4.5	4.3	**3.9**
Gearing/(Net Cash)[5] (%)	0.7	(0.1)	(2.2)	(1.2)	(2.6)	(1.1)	(1.8)	(1.1)	(5.9)	(2.7)	**(0.6)**
Ongoing Charges[6] (%)	1.16	0.50	0.71	0.79	0.79	0.74	0.92	0.66	0.69	0.71	**0.73**

A glossary of terms and definitions is provided on page 83.

[1]Represents the period from commencement of operations on 14th January 2004, which is the date when the investments of JPMorgan Fleming Managed Income were transferred to the Company, to 31st August 2004. The financial records for the year ended 31st August 2003 are those of JPMorgan Managed Income plc, prior to its liquidation and reconstruction in January 2004.

[2]Restated for the change in accounting policy regarding dividends payable, which are now included in the accounts in the year in which they are approved by shareholders. The period ended 31st August 2004 and prior years have not been restated.

[3]Includes special dividends.

[4]The net yield calculation is based on total dividends per share, expressed as a percentage of the closing share price.

[5]Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

[6]Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year (2011 to 2009: Total Expense Ratio: Management fee and all other operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year; 2008 and prior years: expressed as the average of the opening and closing net assets).

MANAGED INCOME

Ten Largest Investments

Company	31st August 2013 Valuation £'000	%[1]	31st August 2012 Valuation £'000	%[2]
Royal Dutch Shell	**3,285**	**6.7**	3,026	7.0
HSBC	**3,259**	**6.6**	1,597	3.7
JPMorgan Global High Yield Bond Fund ('A' Income shares)[3]	**2,737**	**5.6**	2,052	4.7
Vodafone	**2,614**	**5.3**	1,944	4.5
JPMorgan Income & Growth Investment Trust plc (Income shares)	**2,278**	**4.6**	1,951	4.5
BP	**2,039**	**4.1**	1,721	4.0
GlaxoSmithKline	**2,013**	**4.1**	1,634	3.7
British American Tobacco	**1,626**	**3.3**	1,650	3.8
Barclays[4]	**1,330**	**2.7**	561	1.3
BT[4]	**1,322**	**2.7**	714	1.7
Total[5]	**22,503**	**45.7**		

[1]Based on net assets of £49.3m.
[2]Based on net assets of £43.4m.
[3]Represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').
[4]Not included in the ten largest investments at 31st August 2012.
[5]At 31st August 2012, the value of the ten largest investments amounted to £19.3m, representing 44.6% of net assets.

Ten Largest Dividend Payers

For the year ended 31st August 2013

	£'000
JPMorgan Global High Yield Bond Fund ('A' Income Shares)	182
Royal Dutch Shell	161
HSBC	138
Vodafone	123
JPMorgan Income & Growth (Income Shares)	115
BP	105
Lancashire	89
GlaxoSmithKline	88
JPMorgan (Europe) – Global Corporate Bond Fund	75
AstraZeneca	74
Total (50.0%)	**1,150**

Sector Analysis

	31st August 2013		31st August 2012	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	**19.1**	**18.1**	13.8	15.1
Consumer Goods	**11.5**	**11.5**	12.4	12.0
Oil & Gas	**10.8**	**12.7**	10.9	15.1
Industrials	**9.5**	**8.4**	11.6	7.6
Consumer Services	**8.9**	**9.0**	5.6	8.0
Telecommunications	**8.7**	**5.7**	7.1	5.6
Basic Materials	**6.9**	**6.9**	6.7	8.3
Health Care	**6.4**	**6.3**	6.6	6.5
Investment Trusts	**6.3**	**1.8**	6.1	2.2
Utilities	**3.2**	**3.3**	3.7	3.4
Technology	**1.3**	**1.3**	1.4	1.2
Bond Funds	**5.5**	**15.0**	10.6	15.0
Net Current Assets	**1.9**	**–**	3.5	–
Total	**100.0**	**100.0**	100.0	100.0

Based on net assets of £49.3m (2012: £43.4m).

List of Investments

at 31st August 2013

	Valuation £'000
UK Equities	
Royal Dutch Shell	3,285
HSBC	3,259
Vodafone	2,614
BP	2,039
GlaxoSmithKline	2,013
British American Tobacco	1,626
Barclays	1,330
BT	1,322
Rio Tinto	1,284
AstraZeneca	1,135
BAE Systems	959
Imperial Tobacco	950
Prudential	929
BHP Billiton	907
Legal & General	864
Taylor Wimpey	697
Standard Life	666
ITV	651
Diageo	645
Micro Focus International	632
DS Smith	615
Glencore Xstrata	608
WPP	606
easyJet	598
WH Smith	567
Scottish & Southern Energy	552
Berkeley Group	529
GKN	528
Direct Line Insurance	502
Aberdeen Asset Management	491
Interserve	476
TUI Travel	459
John Menzies	436
Schroders	426
Centrica	416
Intercontinental Hotels	395
Compass	390
Halfords	383
Bodycote	378
Provident Financial	378
Persimmon	375
Kcom	356
Informa	346
Severn Trent	329
Tate & Lyle	328
Senior	323
Diploma	322
RPC	319
Mondi	316
Filtrona	295
Beazley	293
Drax	279
British Land	278
Berendsen	278
Rexam	273
Elementis	263
	42,513
JPMorgan Managed Investment Trusts	
JPMorgan Income & Growth (Income shares)	2,278
JPMorgan European (Income shares)	718
JPMorgan Income & Growth (Capital shares)	109
	3,105
JPMorgan Managed Bond Funds	
JPMorgan Global High Yield Bond ('A' Income shares)[1]	2,737
	2,737
Total Portfolio	**48,355**

[1]Unlisted and represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').

MANAGED INCOME

Income Statement

for the year ended 31st August 2013

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Gains on investments held at fair value through profit or loss	**–**	**6,920**	**6,920**	–	2,465	2,465
Income from investments	**2,304**	**–**	**2,304**	1,931	–	1,931
Other interest receivable and similar income	**11**	**–**	**11**	26	–	26
Gross return	**2,315**	**6,920**	**9,235**	1,957	2,465	4,422
Management fee	**(100)**	**(119)**	**(219)**	(78)	(96)	(174)
Other administrative expenses	**(126)**	**–**	**(126)**	(110)	–	(110)
Net return on ordinary activities before finance costs and taxation	**2,089**	**6,801**	**8,890**	1,769	2,369	4,138
Taxation	**(4)**	**–**	**(4)**	(1)	–	(1)
Net return on ordinary activities after taxation	**2,085**	**6,801**	**8,886**	1,768	2,369	4,137
Return per Managed Income share	**3.97p**	**12.93p**	**16.90p**	3.48p	4.65p	8.13p

Balance Sheet

at 31st August 2013

	2013 £'000	2012 £'000
Fixed assets		
Investments held at fair value through profit or loss	**48,355**	41,876
Current assets		
Debtors	**622**	367
Cash and short term deposits	**518**	1,186
	1,140	1,553
Creditors: amounts falling due within one year	**(224)**	(37)
Financial liability: Derivative financial instruments	**–**	(7)
Net current assets	**916**	1,509
Net assets	**49,271**	43,385
Net asset value per Managed Income share	**94.9p**	81.4p

Managed Cash Share Class Financial Results

+0.2%
Return to shareholders[1]
(2012: +0.5%)

+0.2%
Return on net assets[2]
(2012: +0.4%)

0.15p
Dividend
(2012: 0.50p)

Financial Data

	31st August 2013	31st August 2012	% change
Shareholders' funds (£'000)	**13,557**	13,931	-2.7
Number of shares in issue[3]	**13,432,185**	13,781,140	-2.5
Net asset value per share[4]	**100.9p**	100.9p	0.0
Share price	**100.5p**	100.5p	0.0
Share price discount to net asset value per share	**0.4%**	0.7%	
Ongoing Charges[5]	**0.22%**	0.24%	

A glossary of terms and definitions is provided on page 83.

[1]Source: Morningstar.

[2]Source: J.P. Morgan.

[3]Excluding 106,167 (2012: nil) Treasury shares.

[4]Excluding final interim dividend.

[4]Operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Ongoing Charges are calculated in accordance with guidance issued by the Association of Investment Companies in May 2012.

Investment Managers' Report

Katy Thorneycroft

Nadia Grant

The year to the end of August 2013 was once more a period of low returns for the Managed Cash portfolio. The Bank of England Base Rate has remained at 0.5% for more than four years and the impact of quantitative easing by the Monetary Policy Committee through its £375 billion of asset purchases has kept Libor rates low. We believe that the stage is set for a period of policy inaction in the UK.

The Managed Cash portfolio invests in AAA-rated liquidity funds which are members of the Institutional Money Market Fund Association. This is a trade organisation which has a strict Code of Practice to which all of its members must adhere. We will reiterate again that the primary aim of the funds in which the Managed Cash portfolio invests is to provide preservation of capital and liquidity with a yield in line with money market rates as a secondary aim. The AAA-rating accorded the funds in which we invest does not mean that all of their underlying holdings must be AAA-rated (although the securities they hold are still of very high credit quality) but it is based on the funds following strict criteria determining the portfolio interest rate and maturity profile, credit quality of securities and counterparties, guidelines surrounding portfolio construction and the fund manager's operations. As the instruments in the portfolios tend to be held until maturity, they are accounted for using amortised cost accounting and have a constant net asset value of £1.

The Managed Cash portfolio invests in liquidity funds managed by Deutsche, Insight, BlackRock, JPMorgan, Scottish Widows and Fidelity. These are the same long-standing investments we have held in the portfolio for some time. The Managed Cash weighted average maturity was 42 days in early October and the 7 day gross yield was 0.49%. We do not expect to see an improvement in returns from the Managed Cash portfolio over the remainder of the Company's financial year.

Katy Thorneycroft
Nadia Grant
Investment Managers

30th October 2013

Financial Record

At 31st August	2004[1]	2005[2]	2006	2007	2008	2009	2010	2011	2012	2013
Net asset value per share (p)	100.1	101.2	101.1	101.4	101.5	100.3	100.7	101.2	101.1	**100.9**
Share price (p)	100.0	99.5	99.0	100.0	100.5	100.0	100.0	100.5	100.5	**100.5**
Year to 31st August										
Revenue return per share (p)	2.08	3.97	3.65	3.98	4.17	1.56	0.22	0.43	0.39	**0.17**
Dividends per share (p)	2.00	3.96	3.73	3.93	4.07	1.70	0.00	0.35	0.50	**0.15**
Discount (%)	0.1	1.7	2.1	1.4	1.0	0.3	0.7	0.7	0.7	**0.4**
Gearing/(Net Cash)[3] (%)	nil	nil	nil	nil	nil	nil	nil	nil	nil	**nil**
Ongoing Charges[4] (%)	0.10	0.08	0.15	0.12	0.16	0.21	0.20	0.19	0.24	**0.22**

A glossary of terms and definitions is provided on page 83.

[1]Represents the period from commencement of operations on 14th January 2004 to 31st August 2004.

[2]Restated for change in accounting policy regarding dividends payable, which are included in the accounts in the year in which they are approved by shareholders. The period ended 31st August 2004 has not been restated.

[3]Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

[4]Operating expenses excluding interest, expressed as a percentage of the average of the daily net assets during the year (2011 to 2009: Total Expense Ratio: Operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year: 2008 and prior years: the average of the opening and closing net assets).

List of Investments
at 31st August 2013

Company	Yield %[1]	Rating[2]	31st August 2013 Valuation £'000	%[3]	31st August 2012 Valuation £'000	%[4]
Blackrock ICS Institutional Sterling Liquidity Fund	0.55	AAA	**2,637**	**19.5**	2,144	15.4
JPMorgan Sterling Liquidity Fund	0.52	AAA	**2,637**	**19.5**	2,694	19.4
Insight Sterling Liquidity Fund	0.55	AAA	**2,574**	**19.0**	2,607	18.7
Deutsche Global Liquidity Fund	0.54	AAA	**2,433**	**17.9**	2,694	19.4
Scottish Widows Investment Partnership Liquidity Fund	0.51	AAA	**2,293**	**16.9**	2,379	17.0
Fidelity Institutional Sterling Liquidity Fund	0.50	AAA	**992**	**7.3**	1,184	8.5
Total Portfolio			**13,566**	**100.1**	13,702	98.4
Net current (liabilities)/assets			**(9)**	**(0.1)**	229	1.6
Net assets			**13,557**	**100.0**	13,931	100.0

[1]Annual yield to 31st August 2013. Source: IMMFA Money Fund Report, iMoneyNet.

[2]Ratings given by recognised credit agencies as at 31st August 2013.

[3]Based on net assets of £13.6m.

[4]Based on net assets of £13.9m.

Portfolio Analysis

	31st August 2013 %	31st August 2012 %
Sterling Liquidity Funds and Cash Funds	**100.1**	98.4
Net current (liabilities)/assets	**(0.1)**	1.6
Total	**100.0**	100.0

Based on net assets of £13.6m (2012: £13.9m).

MANAGED CASH

Income Statement

for the year ended 31st August 2013

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Income from investments	**57**	**–**	**57**	97	–	97
Gross return	**57**	**–**	**57**	97	–	97
Other administrative expenses	**(30)**	**–**	**(30)**	(34)	–	(34)
Net return on ordinary activities before taxation	**27**	**–**	**27**	63	–	63
Taxation	**(3)**	**–**	**(3)**	(8)	–	(8)
Net return on ordinary activities after taxation	**24**	**–**	**24**	55	–	55
Return per Managed Cash share	**0.17p**	**0.00p**	**0.17p**	0.39p	0.00p	0.39p

MANAGED CASH

Balance Sheet
at 31st August 2013

	2013	2012
	£'000	£'000
Fixed assets		
Investments held at fair value through profit or loss	**13,566**	13,702
Current assets		
Debtors	**6**	7
Cash and short term deposits	**3**	239
	9	246
Creditors: amounts falling due within one year	**(18)**	(17)
Net current (liabilities)/assets	**(9)**	229
Net assets	**13,557**	13,931
Net asset value per Managed Cash share	**100.9p**	101.1p

MANAGED CASH

Board of Directors

Robert Ottley (Chairman)

A Director since January 2004 and Chairman since December 2012.

Last reappointed to the Board: December 2012.

Remuneration for year ended 31st August 2013: £22,000 pro rata as Director, then £32,000 pro rata from his appointment as Chairman (For year ending 31st August 2014: £33,500).

Successively a partner or director of private client stockbroking firms W Greenwell, James Capel, and HSBC Investment Management, with a particular interest in investment trusts and other collective schemes, Mr Ottley has latterly been a non-executive director of a variety of trusts and companies investing in the US, Japan, Asia and the UK respectively. His former directorships include JPMorgan Fleming Managed Income plc.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company as at 31st August 2013: 32,004 Managed Growth Shares.
40,645 Managed Income Shares.

Alan Hodson

A Director since January 2012

Last reappointed to the Board: December 2012.

Remuneration for year ended 31st August 2013: £22,000 (For year ending 31st August 2014: £23,000).

Chairman of Blackrock Commodities Income Investment Trust plc, Great Ormond Street Hospital Children's Charity special trustees and Triodos New Horizons Ltd and a non-executive Director of HarbourVest Global Private Equity Limited. Mr Hodson joined SG Warburg (subsequently UBS) in 1984, rising to Global Head of Equities, a member of the Executive Committee of UBS Investment Bank and of the UBS AG Group Managing Board until his retirement in June 2005.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company as at 31st August 2013: 10,000 Managed Growth Shares.
25,000 Managed Income Shares.

Angus Macpherson

A Director since March 2008

Last reappointed to the Board: December 2012.

Remuneration for year ended 31st August 2013: £22,000 (For year ending 31st August 2014: £23,000).

Chief Executive of ES Noble & Company Limited and a director of Espirito Santo Investment Holdings Ltd. Mr Macpherson spent much of his career working overseas for Merrill Lynch, latterly as head of Capital Markets and Financing for Asia. He also serves as a member of the Scottish Government's Financial Services Advisory Board.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company as at 31st August 2013: 5,568 Managed Growth Shares.

Board of Directors continued

James Robinson (Chairman of the Audit Committee)

A Director since April 2012

Last reappointed to the Board: December 2012.

Remuneration for year ended 31st August 2013: £26,000 (For year ending 31st August 2014: £27,000).

Chairman of Polar Capital Global Healthcare Growth and Income Trust plc and a director of Aberdeen New Thai Investment Trust PLC, Fidelity European Values PLC, Montanaro UK Smaller Companies Investment Trust plc and Invesco Asia Trust plc. He is also a Council Member and chairman of the Investment Committee of the British Heart Foundation. Mr Robinson was chief investment officer, investment trusts and director of hedge funds at Henderson Global Investors prior to his retirement in 2005. A chartered accountant, Mr Robinson has 32 years' investment experience.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company as at 31st August 2013: 5,000 Managed Growth Shares.

Roger Yates

A Director since August 2009

Last reappointed to the Board: December 2012.

Remuneration for year ended 31st August 2013: £22,000 (For year ending 31st August 2014: £23,000).

A director of Pioneer Investments and Electra Private Equity Trust plc. Former chief executive of Henderson Group plc, a position that he held from 1999 to 2008. He is currently an independent non-executive director of IG Group Holdings plc. He has 32 years' experience in the fund management industry having begun his career with GT Management Limited in 1981. He was previously chief investment officer of Invesco Global and Morgan Grenfell Investment Management Limited.

Connections with Manager: None.

Shared directorships with other Directors: None.

Shareholding in Company as at 31st August 2013: 25,000 Managed Income Shares.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st August 2013.

Business Review

Business of the Company

The Company has been approved by HM Revenue & Customs ('HMRC') as an investment trust for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010 ('Sections 1158 and 1159') for the year ended 31st August 2012. During the year the Company was approved by HMRC as an investment trust under Sections 1158 and 1159 for all financial years commencing on or after 1st August 2012, subject to the Company continuing to meet the relevant eligibility criteria. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31st August 2013 so as to be able to continue to obtain approval as investment trust under Section 1158 of the Corporation Tax Act 2010 for that year.

Approval in previous years is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

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

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 1 to 4, and in the Investment Managers' Reports on pages 6 to 9, 17 to 20 and 28.

Managed Growth

Objective

The objective of the Managed Growth portfolio is to achieve long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMorgan Asset Management Limited.

Investment Policies and Risk Management

In order to achieve its stated investment policy and manage investment risks, the Managed Growth portfolio is invested in a diversified range of investment trusts and open-ended funds, which themselves invest in the UK and overseas. The number of investments in the portfolio will normally range between 30 and 50.

Investment Restrictions and Guidelines

- The investment manager must obtain Board approval for any new investment in excess of 10% of the portfolio's gross assets.
- The portfolio does not invest more than 10% of its gross assets in any company that itself may invest more than 15% of its gross assets in UK listed investment companies.
- An investment in any open-ended fund will not exceed 25% of the market capital of the investee fund.
- An investment in third party managed funds will not normally exceed 25% of the portfolio's gross assets.
- The portfolio will not normally invest in derivative instruments – prior approval is required from the Board if such an investment is desired. Board permission has been granted for the limited use of futures for tactical asset allocation purposes.
- The Board does not intend to utilise borrowings to increase the funds available for investment. The Board monitors closely the level of indirect gearing through the underlying investments. The underlying portfolio should be invested 95-120%.

These limits and restrictions may be varied by the Board at any time at its discretion.

Managed Income

Objective

The objective of the Managed Income portfolio is to achieve a growing income return with potential for long term capital growth by investing in equities, investment companies and fixed income securities.

Investment Policies and Risk Management

In order to achieve its stated investment policy and manage investment risks, the Managed Income portfolio is invested in a diversified portfolio of UK equities (including investment companies) and open-ended funds. Please see the Investment Managers' report for more details on portfolio activity. The number of investments in the portfolio will normally range between 50 and 80.

Investment Restrictions and Guidelines

- The portfolio does not invest more than 10% of its gross assets in any company that itself may invest more than 15% of its gross assets in UK listed investment companies.
- The portfolio will be between 90-100% invested in equities (including investment companies) and fixed interest securities.
- The investment manager may write options within parameters set by the Board. Prior approval is required from the Board for investment in all other derivative instruments. Board permission has been granted for the limited use of futures for tactical asset allocation purposes.
- The Board does not intend to utilise borrowings to increase the funds available for investment.

Directors' Report continued

These limits and restrictions may be varied by the Board at any time at its discretion.

Managed Cash

Objective
The objective of the Managed Cash portfolio is to provide preservation of capital with a yield based on short term interest rates by investing in a range of sterling liquidity funds, selected for their yield and credit rating, and short dated AAA-rated UK or G7 government securities hedged into sterling.

Investment Policies and Risk Management
In order to achieve its stated investment policy and manage risks, the Managed Cash portfolio invests no more than 20% of the value of the portfolio in any one liquidity fund or short dated (i.e. with a maturity of less than two years) UK government securities or G7 government securities hedged into sterling. All liquidity funds or government securities shall have a AAA credit rating (as measured by Standard & Poor's) or equivalent rating from a recognised credit rating agency.

Investment Restrictions and Guidelines

- No more than 20% of the value of the portfolio to be invested in any one sterling liquidity fund.
- To invest no more than 15% of gross assets in other UK listed companies (including investment companies).
- The Board does not intend to utilise borrowings to increase the funds available for investment.

These limits and restrictions may be varied by the Board at any time at its discretion.

Monitoring of Compliance
Compliance with the Board's investment limits and restrictions for all three portfolios is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

Managed Growth:
In the year to 31st August 2013, the Managed Growth portfolio produced a total return to shareholders of 32.6% and a total return on net assets of 30.3%. This compares with the return on the composite benchmark of 19.4%. As at 31st August 2013, the value of the Managed Growth investment portfolio was £186.8 million. The Investment Managers' Report on pages 6 to 9 includes a review of developments during the year as well as information on investment activity within the portfolio.

Managed Income:
In the year to 31st August 2013, the Managed Income portfolio produced a total return to shareholders of 21.0% and a total return on net assets of 21.2%. This compares with the return on the composite benchmark of 16.1%. As at 31st August 2013, the value of the Managed Income investment portfolio was £48.4 million. The Investment Managers' Report on pages 17 to 20 includes a review of developments during the year as well as information on investment activity within the portfolio.

Managed Cash:
In the year to 31st August 2013, the Managed Cash portfolio produced a total return to shareholders of 0.2% and a total return on net assets of 0.2%. There is no benchmark index for this share class. As at 31st August 2013, the value of the investment portfolio was £13.6 million. The Investment Managers' Report on page 28 includes a review of developments during the year.

Total Return, Revenue and Dividends

The Company's gross return for the year amounted to £55.9 million (2012: £13.0 million) and net return after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £54.5 million (2012: £11.9 million).

Managed Growth:
Net revenue return for the year available for distribution by way of dividend amounted to £2,546,000 (2012: £2,492,000). Total dividends paid and proposed in respect of the year are 7.00p per share (2012: 5.95p per share), costing £2,628,000 (2012: £2,369,000). The balance on the revenue reserve at the year end was £1,496,000 (2012: £1,500,000) and after allowing for the fourth interim dividend was £994,000 (2012: £1,078,000).

Managed Income:
Net revenue return for the year available for distribution by way of dividend amounted to £2,085,000 (2012: £1,768,000). Total dividends paid and proposed in respect of the year were 3.55p per share (2012: 3.40p per share), costing £1,863,000 (2012: £1,729,000). The balance on the revenue reserve at the year end was £974,000 (2012: £680,000) and after allowing for the fourth quarterly dividend was £455,000 (2012: £227,000).

Managed Cash:
Net revenue return for the year available for distribution by way of dividend amounted to £24,000 (2012: £55,000). The only dividend paid in respect of the year was 0.15p (2012: total dividends 0.50p), costing £21,000 (2012: £69,000). The balance on the revenue reserve at the year end was £72,000 (2012: £102,000). Only one interim dividend was

paid in respect of the year ended 31st August 2013 and no further interim dividends have been declared in respect of that period.

Full details of the dividends paid and proposed on the Managed Growth, Managed Income and Managed Cash share classes during the year are given in note 8 on pages 63 and 64.

Key Performance Indicators ('KPIs')

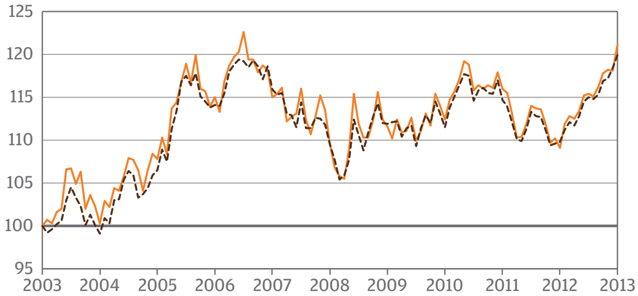
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index:**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and information on the performance of the portfolios is given in the Investment Managers' Reports.

Managed Growth:

Performance Relative to Benchmark Index

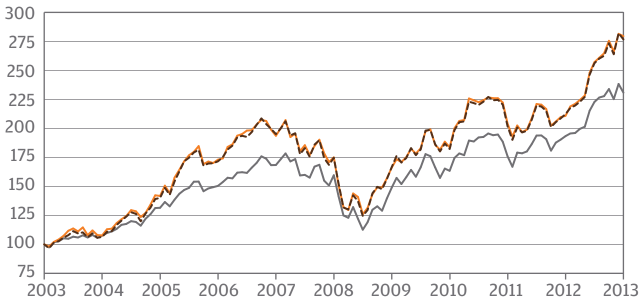
Figures have been rebased to 100 at 31st August 2003



JPMorgan Elect Managed Growth – share price total return.
JPMorgan Elect Managed Growth – net asset value total return.
The benchmark is represented by the horizontal grey line.
Source: J.P. Morgan/Bloomberg.

Ten Year Performance

Figures have been rebased to 100 as at 31st August 2003

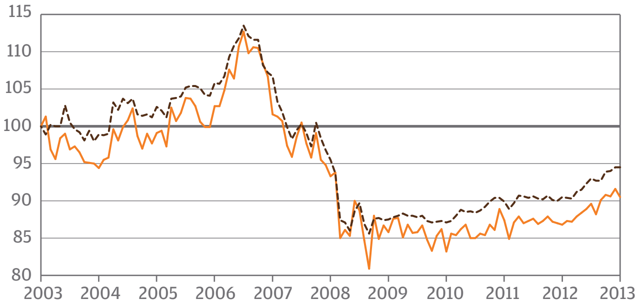


JPMorgan Elect Managed Growth – share price total return.
JPMorgan Elect Managed Growth – net asset value total return.
Benchmark.
Source: J.P. Morgan/Bloomberg.

Managed Income:

Performance Relative to Benchmark Index

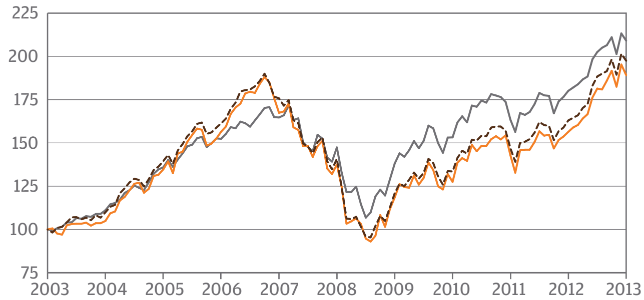
Figures have been rebased to 100 as at 31st August 2003



JPMorgan Elect Managed Income – share price total return.
JPMorgan Elect Managed Income – net asset value total return.
The benchmark is represented by the horizontal grey line.
Source: J.P. Morgan/Bloomberg.

Ten Year Performance

Figures have been rebased to 100 as at 31st August 2003



JPMorgan Elect Managed Income – share price total return.
JPMorgan Elect Managed Income – net asset value total return.
Benchmark.
Source: J.P. Morgan/Bloomberg.

Managed Cash:

There is no benchmark for the Managed Cash share class.

- **Performance against the Company's peers**
  The principal objective of the Managed Growth share class is to achieve capital growth. The principal objective of the Managed Income share class is to achieve growing income with the potential for long term capital growth. However, the Board also monitors the performance of the Managed Growth and Managed Income share classes relative to their respective benchmarks and a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how each share class achieved its performance relative to its benchmark index, i.e. to understand the impact on the Managed Growth and Managed Income portfolios' relative performance of the various components,

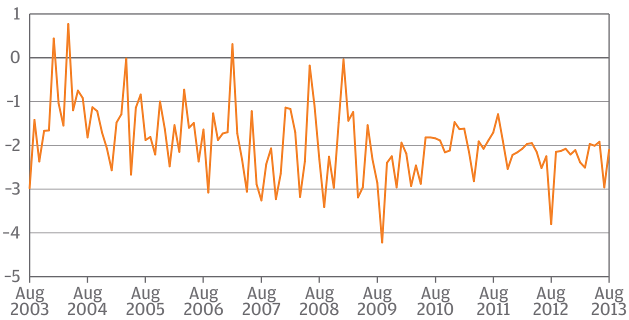
Directors' Report continued

such as asset allocation and stock selection. However, given that the Managed Growth (and a proportion of the Managed Income portfolio) is invested in other funds, rather than entirely in conventional equities, it is difficult to produce precise, verifiable performance attribution data. Therefore the Investment Managers comment on the factors that have significantly impacted on performance in their reports.

- **Share price discount to net asset value ('NAV') per share**
  The Board has for several years operated share issue and repurchase programmes which seek to address imbalances in supply and demand of the Company's shares within the market and thereby seek to reduce the volatility and absolute level of the discount/premium to NAV per share at which the Company's shares trade.

Managed Growth:

Discount Performance

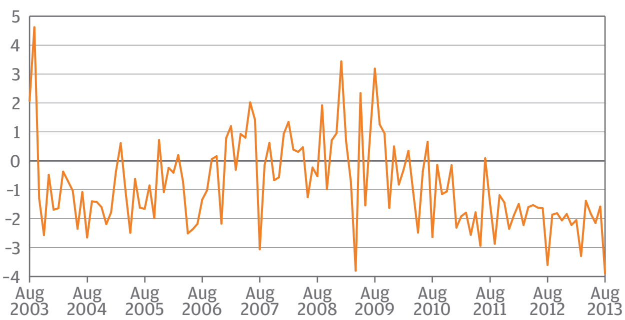


JPMorgan Managed Growth – premium/(discount).
Source: Datastream.

In the year to 31st August 2013, the Managed Growth shares traded between a discount of 1.9% and 3.0% (on a month end to month end basis).

Managed Income:

Discount Performance

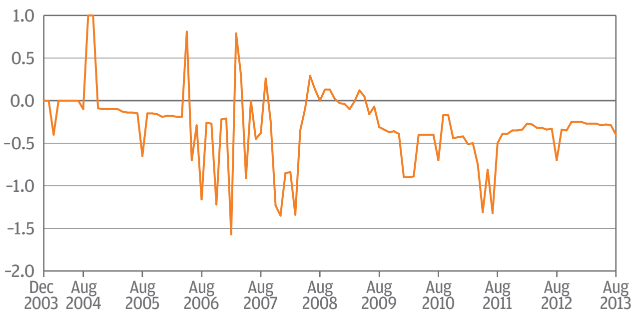


JPMorgan Managed Income – premium/(discount).
Source: Datastream.

In the year to 31st August 2013, the Managed Income shares traded between a discount of 1.3% and 3.9% (on a month end to month end basis).

Managed Cash:

Discount Performance



JPMorgan Managed Cash – premium/(discount).
Source: Datastream.

In the year to 31st August 2013, the Managed Cash shares traded between a discount of 0.3% and 0.4% (on a month end to month end basis). The issue of shares took place when the Managed Cash shares were trading at a premium, in line with the Board's share issue policy.

- **Ongoing Charges**
  The Ongoing Charges represent the Company's management fee and all other operating expenses, excluding interest, expressed as a percentage of the average of the daily net assets during the year. The Managed Growth Ongoing Charges for the year ended 31st August 2013 were 0.58% (2012: 0.51%), the Managed Income Ongoing Charges were 0.73% (2012: 0.71%) and the Managed Cash Ongoing Charges were 0.22% (2012: 0.24%). Each year, the Board reviews an analysis which shows a comparison of the Managed Growth and Managed Income Ongoing Charges and its main expenses with those of its peers.

Share Capital

The Company has authority to issue new shares and to repurchase shares for cancellation or to be held in Treasury.

- **Share issues**
  During the year, 10,000 Managed Cash shares were issued at a premium to net asset value. Since the year end, as at the date of this report, the Company had not issued any further shares.

- **Share repurchases**
  The Company repurchased 730,780 Managed Growth shares for cancellation and 307,618 into Treasury during the

year, representing 2.7% of the shares in issue at the beginning of the year, for a total consideration of £4,573,000. Since the year end, a further 28,544 Managed Growth shares have been repurchased into Treasury, for a total consideration of £149,000. No further Managed Growth shares have been repurchased for cancellation.

The Company repurchased 411,784 Managed Income shares for cancellation and 630,718 into Treasury during the year, representing 2.0% of the shares in issue at the beginning of the year, for a total consideration of £905,000. Since the year end a further 51,201 Managed Income shares have been repurchased into Treasury, for a total consideration of £48,000. No further Managed Income shares have been repurchased for cancellation.

The Company repurchased 201,019 Managed Cash shares for cancellation and 106,167 into Treasury during the year, representing 2.2% of the shares in issue at the beginning of the year, for a total consideration of £307,000. Since the year end, no further Managed Cash shares have been repurchased into Treasury or for cancellation other than as disclosed in respect of the conversion.

Resolutions to renew the authority to issue new shares, reissue shares from Treasury and repurchase Managed Growth, Managed Income and Managed Cash shares for cancellation to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. The full text of these resolutions are set out in the Notice of Annual General Meeting on pages 79 and 80.

- **Conversions**

  The Company's capital structure allows shareholders the opportunity, four times each year, to convert part or all of their shareholdings into shares of the Company's other share classes without such conversions being treated, under current law, as a disposal for UK capital gains tax purposes. More details are given on pages 84 and 85.

  During the year three conversions took place on 30th November 2012, 28th February 2013 and 31st May 2013. The net result of these conversions was a reduction in the Managed Growth share capital of 123,777 shares, a reduction in the Managed Income share capital of 337,990 shares and a reduction in the Managed Cash share capital of 51,769 shares. The holders of 878,853 Managed Cash shares elected to have those holdings repurchased by the Company in these conversion opportunities for a total consideration of £882,000.

  The fourth conversion took place shortly after the year end, on 2nd September 2013, 31st August 2013 being a non-business day. The net result of that conversion was a reduction in the Managed Growth share capital of 18,591 shares, a reduction in the Managed Income share capital of 292,272 shares and a net reduction in the Managed Cash share capital of 5,291,580 shares.

There are 50,000 Founder shares of £1 each in issue, partly paid as to 25p each. The Founder shares are non-voting and carry the right to receive a fixed dividend at the rate of 0.01% on their nominal value. However, the holders of the Founder shares have waived the right to receive such dividends.

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 underperformance against the relevant 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 by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, transaction 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 show statistical measures of the Company's risk profile. The Board does not intend that any of the Company's portfolios will use borrowings to increase the funds available for investment and it monitors closely the level of indirect gearing through the underlying investments. 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 that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of indirect 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 Manager.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with

Directors' Report continued

Section 1158. Details of the Company's approval are given under 'Business of the Company' above. Were the Company to breach Section 1158, it might lose its investment trust status and, as a consequence, gains within the Company's portfolios could be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares have premium listings on the London Stock Exchange, the UKLA Listing Rules and the Disclosure and Transparency Rules ('DTRs'). 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 could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM and its professional advisers to ensure compliance with the Companies Act and the UKLA Listing Rules and DTRs.

- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 43 to 48.
- Operational: Loss of key staff by JPMAM, such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records could 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 with the Risk Management and Internal Control section of the Corporate Governance Statement on pages 46 and 47.
- Financial: The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 23 on pages 73 to 78.

Future Developments

Clearly, the future development of the Company is much dependent upon the success of the Company's investment strategies in the light of economic and equity market developments and the continued support of its shareholders.

The Board holds a separate meeting each year devoted to the strategy of the Company and its investment portfolios. The Investment Managers discuss the outlook in their reports on pages 6 to 9, 17 to 20 and 28.

Management of the Company

The Manager and Company Secretary, JPMAM, is employed under separate contracts for each portfolio of assets, each contract being terminable on one year's notice, without penalty. If the Company wishes to terminate any of the contracts on less than one year's notice, the balance of the year's 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 conducts a formal evaluation of the Manager on an annual basis. No separate management engagement committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process.

The Board has evaluated the performance of the Manager this year 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 has considered the investment strategy and process of the Manager, noting performance against the portfolios' respective benchmarks and peers over the long term and the quality of the support that the Company receives from JPMAM, including the marketing support provided.

Management Fee

The management fee is calculated and paid quarterly in arrears and is charged at the following rates:

- Managed Growth assets: The management fee is 0.3% per annum on assets invested in JPMorgan managed funds and 0.6% per annum on assets invested in non-JPMorgan managed funds and direct investments. Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of the underlying fee which is paid back to the Company.
- Managed Income assets: There is no management fee on assets invested in JPMorgan managed funds. The management fee is 0.6% per annum on assets invested in non-JPMorgan managed funds and direct investments.

Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of the underlying fee.

- Managed Cash assets: no management fee charged.

The management fees in the financial statements are shown net of rebates.

Going Concern

The Directors believe that, having considered the Company's investment objectives (see pages 35 and 36); risk management policies (see pages 46 and 47); liquidity risk (see note 23(b) on page 77); capital management policies and procedures (see note 24 on page 78); the nature of the portfolios and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general, the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st August 2013, the Company had no outstanding trade creditors (2012: none).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's shares, are given below:

	31st August 2013		
Directors	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Alan Hodson	10,000	25,000	–
Angus Macpherson	5,568	–	–
Robert Ottley[1]	32,004	40,645	–
James Robinson	5,000	–	–
Roger Yates	–	25,000	–

[1]Purchase of 295 Managed Growth and 1,517 Managed Income shares by way of dividend reinvestment.

Since the year end, Mr Ottley's beneficial holdings have increased by 50 Managed Growth Shares and 415 Managed Income Shares by way of dividend reinvestment.

The Directors who held office as at 1st September 2012, together with their beneficial interests in the Company's shares are given below:

	1st September 2012		
Directors	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Alan Hodson	10,000	25,000	–
Simon Miller	5,755	27,016	–
Angus Macpherson	5,568	–	–
Robert Ottley	31,709	39,128	–
James Robinson	5,000	–	–
Roger Yates	–	25,000	–

In accordance with Article 91 of the Company's Articles of Association, all Directors who held office at the time of the two preceding Annual General Meetings and who did not stand for reappointment shall retire from office by rotation. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment. Accordingly, all Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment.

The Nomination Committee, having considered the qualifications, performance and contribution to the Board and its Committees, confirms that all Directors continue to be effective and demonstrate commitment to the role and recommends their reappointment to shareholders.

Mr Ottley succeeded Mr Miller as Chairman on Mr Miller's retirement from the Board at the conclusion of the 2012 Annual General Meeting.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of a deed of indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The deeds of indemnity were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which insures the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Directors' Report continued

Disclosure of information to the Auditor

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 2006) of which the Company's Auditor is 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 Auditor is aware of that information.

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

Independent Auditor

Ernst & Young LLP has expressed its willingness to continue in office as the Auditor and a resolution to reappoint Ernst & Young LLP and authorise the Directors to determine their remuneration for the ensuing year, will be proposed at the Annual General Meeting.

Environmental Matters, Social and Community Issues

Information on environmental matters, social and community issues is set out on page 48. The Company has no employees.

Section 992 Companies Act 2006

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

Capital Structure

The Company's capital structure is summarised on the Features page at the front of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of AGM on page 82 and below.

Notifiable Interests in the Company's Voting Rights

At 31st August 2013, no declarations had been received of a notifiable interest in the Company's voting rights.

There have been no changes to this disclosure since the year end to the date of this report.

The Company is aware that as at 31st August 2013, approximately 36.1% of the Company's total voting rights were held by individuals through the savings products managed by JPMAM and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances JPMAM has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant General Meeting.

The percentage of total voting rights is calculated by reference to the NAVs per share which, as at 31st August 2013 were as follows:

Managed Growth Shares:	5.18
Managed Income Shares:	0.95
Managed Cash Shares:	1.01

The rules concerning the appointment, reappointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements to which the Company is party that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Annual General Meeting

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

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

(i) Authority to issue the Company's shares for cash and disapply statutory pre-emption rights (resolutions 9 and 10)

The Companies Act 2006 requires that the Directors of a company be authorised by shareholders to allot shares. It also requires that new shares issued by a company for cash be offered first to existing shareholders in proportion to their existing shareholdings. However, shareholders can, by special resolution, authorise Directors to allot shares otherwise than by a pro rata issue to existing shareholders.

Resolutions 9 and 10 in the Notice of Meeting on page 79 will give the Directors specific authority to allot new shares, otherwise than by a pro rata issue to existing shareholders, up to 3,713,512 Managed Growth shares, 5,155,098 Managed Income shares and 814,060 Managed Cash shares for cash or by way of a sale of Treasury shares, such amounts being approximately equivalent to 10% of the issued share capital (excluding Treasury shares) of each share class as at 29th October 2013 (being the latest practicable date before the publication of this document).

This authority will expire at the conclusion of the Annual General Meeting of the Company in 2014 unless renewed at a prior General Meeting.

The Board believes that, should the Company's shares move to a premium to net asset value, it would be in the interests of existing shareholders for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMAM savings products and also to other investors. Any such issues would only be made at prices greater than the net asset value, thereby increasing the assets underlying each share and spreading the Company's administrative expenses, other than those fees charged as a percentage of assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment objectives and investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

(ii) Authority to repurchase the Company's shares (resolution 11)

At the Annual General Meeting of the Company held on 13th December 2012, shareholders gave authority to the Board to repurchase up to 14.99% of the shares of any class of the Company's then issued share capital in the market as permitted by the Companies Act 2006. The authority also sets minimum and maximum prices. The Board will seek shareholder approval at the AGM to renew this authority, which will last until 18th June 2015 or until the whole of the 14.99% has been acquired, whichever is the earlier, however it is the Board's intention to seek renewal of the authority at the 2014 Annual General Meeting. The full text of the resolution is set out in the Notice of Meeting on pages 79 and 80. If resolution 11 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation, or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to net asset value. 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.

(iii) Approval of the proposed Contingent Purchase Contract (resolution 12)

This resolution gives the Company authority to buy its Managed Cash shares and Deferred shares arising on conversion of any of the Growth, Income or Cash shares into other classes of share. This resolution follows the requirements of Section 694 of the Companies Act 2006. The purchase contract is part of the mechanism by which shareholders are entitled to require the Company to repurchase Managed Cash shares. The Deferred shares are repurchased for nominal consideration (as they have no economic value) in order to keep the balance sheet manageable. By law the Company can only purchase these shares off-market if such purchase is pursuant to a contract in the form approved at a general meeting of the Company.

Recommendation

The Board considers that resolutions 9 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amounted in aggregate to 143,682 shares representing approximately 0.14% of the voting rights of the Company as at the year end.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 51, indicates how the Company has applied the principles of good governance of the Financial Reporting Council UK Corporate Governance Code (the 'UK Corporate Governance Code') and the Association of Investment Companies' ('AIC') Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance 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 UK Corporate

Directors' Report continued

Governance Code and the AIC Code, other than in respect of the provision relating to the appointment of a senior independent director, and in so far as they are relevant to the Company's business throughout the year under review.

Role of the Board

Management agreements between the Company and JPMAM set out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policies 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, if necessary, and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Mr Ottley, consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on pages 33 and 34. Mr Miller retired from the Board at the conclusion of the Annual General Meeting held on 13th December 2012 and Mr Ottley, previously Deputy Chairman, was appointed Chairman.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed and has concluded that, as the Board is comprised entirely of non-executive Directors, this is unnecessary at present. However, Mr Macpherson leads the evaluation of the Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

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 reappointed by shareholders. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that the length of service in itself necessarily disqualifies a Director from seeking reappointment but when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. The Company's Articles of Association require that Directors stand for reappointment at least every three years. However, the Board has taken a decision to adopt corporate governance best practice, resulting in annual reappointment for all Directors.

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

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. All Directors are members of each Committee.

The table below details the number of Board, Audit Committee and Nomination Committee meetings attended by each Director. During the year there were five Board meetings, two Audit Committee meetings and one Nomination Committee meeting. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Directors	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Alan Hodson	5	2	1
Simon Miller[1]	2	1	1
Angus Macpherson	5	2	1
Robert Ottley	5	2	1
James Robinson	5	2	1
Roger Yates	5	2	1

[1]Retired 13th December 2012.

Induction and Training

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

Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Board conducts a formal evaluation of the Manager, its own performance and that of its Committees and individual Directors. Questionnaires, devised by an independent industry consultant, 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 who also meets with each Director; the other Directors evaluate the Chairman's performance; and the Board as a whole evaluates the Manager, its own performance and that of its Committees. Mr Macpherson leads the evaluation of the Chairman.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Mr Ottley, consists of all of the Directors and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. A variety of sources, including the use of independent external recruitment consultants, may be used to ensure that a wide range of candidates is considered.

The Nomination Committee undertakes an annual performance evaluation of the Board, its Committees and individual Directors, to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate.

This takes into account the level of fees paid to the directors of the Company's peers and within the investment trust industry generally to ensure that high quality people are attracted and retained.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. The Nomination Committee resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year. Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

Audit Committee

The Audit Committee, chaired by Mr Robinson, consists of all of the Directors and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. At least one member of the Committee has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual accounts and the Company's compliance with the UK Corporate Governance Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external

Directors' Report continued

Auditor. Representatives of the Company's Auditor attend the Committee meeting at which the draft annual report and accounts are considered. The Audit Committee has reviewed the independence and objectivity of the Auditor of the Company and is satisfied that the Auditor is independent. The Audit Committee also has the primary responsibility for making recommendations to the Board on the reappointment and the removal of external auditors.

During the year under review, the Audit Committee undertook a tender exercise as part of its audit service review. After careful consideration of the performance of the current Auditor and completion of the tender exercise, it was agreed that the current Auditor, Ernst & Young LLP should continue in the role and the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting. The Board reviews and approves any non-audit services provided by the Auditor and assesses the impact of any non-audit work on the ability of the Auditor to remain independent. No such work was undertaken during the year apart from the audit of the quarterly conversions. Details of the Auditor's fees charged for both audit and other services are disclosed in note 5 on page 61.

The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 46 and 47.

Terms of Reference

Both the Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website, on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders quarterly by way of the annual report and accounts, the half year financial report and two interim management statements. These are supplemented by the daily publication, through the London Stock Exchange, of the net asset values of the Company's shares.

All shareholders 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 shareholders and answer their questions. In addition, presentations are 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 89. The Chairman can also be contacted via the Company's website by following the 'Ask the Chairman' link at wwwjpmelect.co.uk.

The Company's annual report and accounts are published in time to give shareholders at least twenty working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to do so via the Company's website or write to the Company Secretary at the address shown on page 89.

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

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and 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 risk management and 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 risk management and internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 39 and 40). This process has been in place for the year under review and up to the date of the approval of the annual report and accounts, and it accords with the Turnbull guidance. The Company does not have an internal audit function of its own; the Board considers that it is sufficient to rely on the internal audit department of JPMAM. This arrangement is kept under review.

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 Conduct Authority ('FCA'), 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 FCA 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 risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st August 2013 and to the date of approval of this Annual Report and Accounts.

The Board confirms that any failings or weaknesses identified during the course of its review of the system of risk management and internal control were not significant and did not impact the Company.

Corporate Governance and Voting Policy

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

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

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

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*

Directors' Report continued

- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

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

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

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

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: http://www.jpmorganinvestmenttrusts.co.uk/governance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
Rebecca Burtonwood, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
30th October 2013

Directors' Remuneration Report

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

The Companies Act 2006 requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such. The Auditor's opinion is included in their report on page 52.

Directors' Remuneration[1]

Directors' Name	2013 £	2012 £
Alan Hodson	**22,000**	14,666
Angus Macpherson	**22,000**	22,000
Simon Miller[2]	**10,667**	32,000
Robert Ottley[3]	**29,166**	22,000
James Robinson	**26,000**	9,166
Nigel Sidebottom[4]	**369**	20,000
Roger Yates	**22,000**	22,000
Total	**132,202**	141,832

[1]Audited information.

[2]Retired 13th December 2012.

[3]Appointed Chairman 13th December 2012.

[4]Retired 5th July 2012. As Directors' fees are paid calendar quarterly in arrears, the payment of £369 to Mr Sidebottom fell within the reporting year ended 31st August 2013.

For the year under review Directors' fees were paid at the fixed rate of £32,000 for the Chairman, £26,000 for the Chairman of the Audit Committee and £22,000 for the other Directors. The fees for the Audit Committee Chairman were increased from £24,000 to £26,000 with effect from 1st September 2012. The fees for all other Directors remained unchanged from the previous year.

The total Directors' fees of £132,202 (2012: £141,832) comprises £110,202 (2012: £119,832) in respect of aggregate emoluments paid to Directors and £22,000 paid to third parties for making available the services of one Director (2012: £22,000, one Director).

For the year ending 31st August 2014, fees per annum will be as follows: Chairman: £33,500; Chairman of the Audit Committee: £27,000; and other Directors: £23,000.

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

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The Directors' fees are not performance related. The Articles stipulate that aggregate fees must not exceed £200,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval.

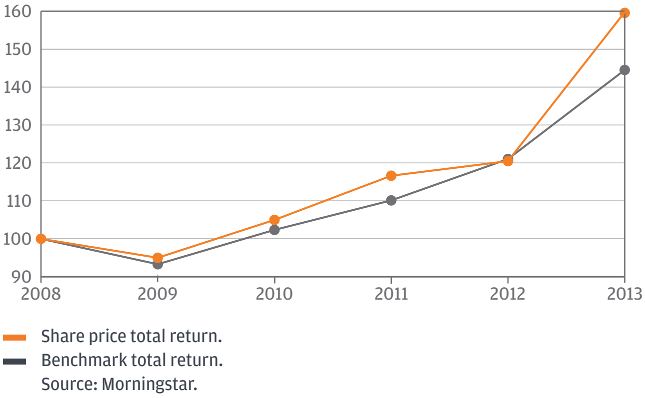
The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 44.

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. The Directors do not have service contracts and 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.

Line graphs showing the share price total returns compared to their benchmark indices for the Managed Growth and Managed Income share classes over the last five years are shown below. There is no benchmark index for the Managed Cash share class.

Managed Growth:

Five Year Share Price and Benchmark Total Return to 31st August 2013



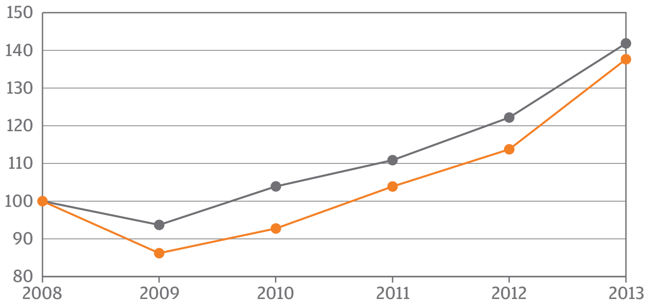
Source: Morningstar.

THE COMPANY

Directors' Remuneration Report continued

Managed Income:

Five Year Share Price and Benchmark Total Return to 31st August 2013



Share price total return.
Benchmark total return.
Source: Morningstar.

Managed Cash:

The price of the Managed Cash shares traded in the range of 99.0p to 100.5p in the five year period ended 31st August 2013.

Although the Managed Cash share class has no adopted benchmark, it is a Companies Act requirement to provide a benchmark against which to measure performance for the purposes of the Directors' Remuneration Report. The Board's main objective is to protect investors' capital and so the Managed Cash share price is measured relative to a benchmark of 100.0p.

By order of the Board
Rebecca Burtonwood, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
30th October 2013

Statement of Directors' Responsibilities

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

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

- the financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, give a true and fair view of the assets, liabilities, financial position and return or loss of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board
Robert Ottley
Chairman
30th October 2013

Independent Auditor's Report

Independent Auditor's Report to the members of JPMorgan Elect plc.

We have audited the financial statements of JPMorgan Elect plc for the year ended 31st August 2013 which comprise the Income Statement, Reconciliation of Movements in Shareholders' Funds, the 'Total' column of the Balance Sheet, Cash Flow Statement, and the related notes 1 to 24, including the 'Total' column where relevant. The financial reporting framework that had been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 51, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st August 2013 and of its net return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 41, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Michael-John Albert (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London
30th October 2013

Income Statement

for the year ended 31st August 2013

		2013			2012		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	2	–	50,323	50,323	–	7,965	7,965
Net foreign currency (losses)/gains	16	–	(3)	(3)	–	8	8
Income from investments	3	5,541	–	5,541	5,016	–	5,016
Other interest receivable and similar income	3	12	–	12	34	–	34
Gross return		5,553	50,320	55,873	5,050	7,973	13,023
Management fee	4	(229)	(506)	(735)	(173)	(380)	(553)
Other administrative expenses	5	(664)	–	(664)	(560)	–	(560)
Net return on ordinary activities before finance costs and taxation		4,660	49,814	54,474	4,317	7,593	11,910
Finance costs	6	–	–	–	(1)	(2)	(3)
Net return on ordinary activities before taxation		4,660	49,814	54,474	4,316	7,591	11,907
Taxation	7	(5)	–	(5)	(1)	–	(1)
Net return on ordinary activities after taxation		4,655	49,814	54,469	4,315	7,591	11,906
Return per share:	9						
Managed Growth		6.77p	114.44p	121.21p	6.25p	13.10p	19.35p
Managed Income		3.97p	12.93p	16.90p	3.48p	4.65p	8.13p
Managed Cash		0.17p	0.00p	0.17p	0.39p	0.00p	0.39p

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

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

The notes on pages 57 to 78 form an integral part of these accounts.

THE COMPANY

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st August 2013

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 31st August 2011	24	72,785	102,344	35,285	1,956	**212,394**
Repurchase and cancellation of the Company's own shares	–	–	(8,162)	–	–	**(8,162)**
Share conversions during the year	–	4,412	(4,412)	–	–	**–**
Net return on ordinary activities	–	–	–	7,591	4,315	**11,906**
Dividends paid in the year	–	–	–	–	(3,989)	**(3,989)**
At 31st August 2012	24	77,197	89,770	42,876	2,282	**212,149**
Issue of ordinary shares	–	10	–	–	–	**10**
Repurchase and cancellation of the Company's own shares	–	–	(4,482)	–	–	**(4,482)**
Repurchase of shares into Treasury	–	–	(2,184)	–	–	**(2,184)**
Share conversions during the year	–	1,052	(1,052)	–	–	**–**
Net return on ordinary activities	–	–	–	49,814	4,655	**54,469**
Dividends paid in the year	–	–	–	–	(4,397)	**(4,397)**
At 31st August 2013	24	78,259	82,052	92,690	2,540	**255,565**

The notes on pages 57 to 78 form an integral part of these accounts.

Balance Sheet

at 31st August 2013

	Notes	2013 Growth £'000	2013 Income £'000	2013 Cash £'000	2013 Total £'000	2012 Total £'000
Fixed assets						
Investments held at fair value through profit or loss	10	**186,821**	**48,355**	**13,566**	**248,742**	208,432
Current assets						
Financial assets: Derivative financial instruments	11	**72**	**–**	**–**	**72**	–
Debtors	12	**694**	**622**	**6**	**1,322**	864
Cash and short term deposits		**5,347**	**518**	**3**	**5,868**	3,011
		6,113	**1,140**	**9**	**7,262**	3,875
Creditors: amounts falling due within one year	13	**(126)**	**(224)**	**(18)**	**(368)**	(158)
Financial liability: Derivative financial instruments	14	**(71)**	**–**	**–**	**(71)**	–
Net current assets/(liabilities)		**5,916**	**916**	**(9)**	**6,823**	3,717
Net assets		**192,737**	**49,271**	**13,557**	**255,565**	212,149
Capital and reserves						
Called up share capital	15	**18**	**4**	**2**	**24**	24
Share premium	16	**25,654**	**34,227**	**18,378**	**78,259**	77,197
Other reserve	16	**78,538**	**8,397**	**(4,883)**	**82,052**	89,770
Capital reserves	16	**87,031**	**5,670**	**(11)**	**92,690**	42,876
Revenue reserve	16	**1,496**	**973**	**71**	**2,540**	2,282
Total equity shareholders' funds		**192,737**	**49,271**	**13,557**	**255,565**	212,149

	Notes	31st August 2013 Net asset value per share (pence)	31st August 2013 Net assets attributable £'000	31st August 2012 Net asset value per share (pence)	31st August 2012 Net assets attributable £'000
Managed Growth	17	**518.4**	**192,737**	403.8	154,833
Managed Income	17	**94.9**	**49,271**	81.4	43,385
Managed Cash	17	**100.9**	**13,557**	101.1	13,931

The accounts on pages 53 to 78 were approved and authorised for issue by the Directors on 30th October 2013 and are signed on their behalf by:

James Robinson
Director

The notes on pages 57 to 78 form an integral part of these accounts.

Company registration number: 3845060.

THE COMPANY

Cash Flow Statement

for the year ended 31st August 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	18	**3,994**	3,842
Returns on investments and servicing of finance			
Interest paid		**–**	(2)
Net cash outflow from returns on investments and servicing of finance		**–**	(2)
Taxation received		**16**	–
Capital expenditure and financial investment			
Purchases of investments		**(34,056)**	(51,214)
Sales of investments		**44,097**	57,608
Settlement of futures and options contracts		**(132)**	5
Other capital charges		**(6)**	(4)
Net cash inflow from capital expenditure and financial investment		**9,903**	6,395
Dividends paid		**(4,397)**	(3,989)
Net cash inflow before financing		**9,516**	6,246
Financing			
Buyback of Treasury shares		**(2,184)**	–
Issue of shares		**10**	–
Repurchase and cancellation of the Company's own shares		**(4,482)**	(8,162)
Net cash outflow from financing		**(6,656)**	(8,162)
Increase/(decrease) in cash for the year	19	**2,860**	(1,916)

The notes on pages 57 to 78 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st August 2013

1. Accounting policies

(a) Basis of accounting

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

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

The financial statements for the Company comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the 'Total' column of the Balance Sheet, the Cash Flow Statement and the 'Total' column within the Notes to the Accounts.

The Managed Growth, Managed Income and Managed Cash Income Statements and Balance Sheets, together with the notes to those Income Statements and Balance Sheets are not required under UK Generally Accepted Accounting Practice or the SORP, and have not been audited but have been disclosed to assist shareholders' understanding of the net assets and liabilities, and income and expenses of the different share classes.

The accounts have been prepared on a going concern basis.

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

(b) Valuation of investments

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

Gains and losses on sales of investments are included in the Income Statement and are dealt with in capital reserves within 'Gains and losses on sales of investments' and represent the excess of sales proceeds over the carrying value at the previous balance sheet date. Increases and decreases in the valuation of investments held at the year end are included in the Income Statement and are accounted for in capital reserves within 'Holding gains and losses on investments'.

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

(c) Accounting for reserves

Gains and losses on sales of investments and derivatives including the related foreign exchange gains and losses, realised gains and losses on foreign currency, management fee and finance costs allocated to capital and any other capital charges, are included in the Income Statement and dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments and derivatives held at the year end including the related foreign exchange gains and losses, are included in the Income Statement and dealt with in capital reserves within 'Holding gains and losses on Investments'.

(d) Income

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

UK dividends are accounted for net of tax credits and unfranked income gross of any income tax. Overseas dividends are included gross of any withholding tax.

Income from written options is included in revenue on a time apportionment basis.

Bank interest, deposit interest and underwriting commission are included in revenue on an accruals basis.

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

Notes to the Accounts continued

THE COMPANY

1. Accounting policies continued

(d) Income continued

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue except for items in (i) to (iii) below.

(i) The management fee on the Managed Growth pool of assets is allocated 25% to revenue and 75% to capital in line with the Board's expected split of the revenue and capital return from the Managed Growth investment portfolio;

(ii) The management fee on the Managed Income pool of assets is allocated 50% to revenue and 50% to capital in line with the Board's expected split of the revenue and capital return from the Managed Income investment portfolio. Amounts rebated to the Managed Income pool of assets by the Manager in respect of assets invested in J.P. Morgan retail open ended pooled funds are credited to the revenue column of the Income Statement.

(iii) Expenses incidental to the purchase of an investment are charged to capital and those incidental to the sale are deducted from the sales proceeds and then recognised in capital alongside the realised gain or loss on the investment. These expenses are commonly referred to as transaction costs and include items such as stamp duty and brokerage commissions.

Expenses charged to the Company, common to all pools (Managed Growth, Managed Income and Managed Cash) are apportioned to the revenue account of each pool in the same proportion as their net assets at the month end immediately preceding the date on which the cost is to be accounted for.

Expenses charged to the Company in relation to a specific pool are allocated directly to that pool, with the other two pools remaining unaffected.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest rate method.

(g) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at carrying value as reduced by appropriate allowances for estimated irrecoverable amounts.

Derivative financial instruments, including futures contracts and written options, are valued at fair value and are included in current assets or current liabilities. Financial Instruments are initially recognised and de-recognised on a trade date basis.

(h) Taxation

Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

For the Company, any allocation of tax relief to capital is based on the marginal basis, such that tax allowable capital expenses are offset against taxable income.

As an investment trust which has received approval under the appropriate tax regulations, the Company is not liable for taxation on capital gains.

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

Tax is computed for each pool of assets separately. Where unrelieved expenses in one pool are utilised in another pool, a credit is made in the donor pool and a charge in the recipient pool, based on half the value of these expenses to the Company as a whole.

(i) Functional currency

The Company is required to nominate a functional currency, being the currency in which the Company predominantly operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the accounts are presented.

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

Any gain or loss arising on monetary assets from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments held at the year end arising from changes in foreign exchange rates are included in capital reserves within 'Holding gains and losses on investments'.

(j) Dividends

Dividends proposed by the Company are included in the accounts in the year in which they become payable.

(k) Value Added Tax ('VAT')

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

(l) Share capital transactions

Share capital transactions resulting from conversions are accounted for on the first working day following the quarterly conversion dates. Deferred shares, which have no economic value, are allotted as part of the conversion process to ensure that the conversions do not result in a reduction of the par value of the Company's share capital.

(m) Repurchase of Ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Other reserves' and dealt with in the Reconciliation of Movement in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

(n) Repurchase of Ordinary shares to hold in Treasury

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

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

Notes to the Accounts continued

	2013 £'000	2012 £'000
2. Gains on investments held at fair value through profit or loss		
Realised gains on sales of investments held at fair value through profit or loss based on historical cost	**10,805**	9,824
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	**(5,992)**	(6,241)
Gains on sales of investments based on the carrying value at the previous balance sheet date	**4,813**	3,583
Realised loss on close out of futures contracts	**(125)**	–
Net movement in investment holding gains and losses	**45,631**	4,388
Unrealised gains on futures held at fair value through profit or loss	**1**	–
Unrealised gains/(losses) on options	**8**	(5)
Other capital charges	**(5)**	(1)
Total capital gains on investments held at fair value through profit or loss	**50,323**	7,965

	Managed Growth 2013 £'000	Managed Income 2013 £'000	Managed Cash 2013 £'000	Total 2013 £'000	Total 2012 £'000
3. Income					
Income from investments					
UK dividend income	**2,866**	**1,863**	**–**	**4,729**	4,278
Income from OEICs	**314**	**251**	**–**	**565**	310
Overseas dividends	**–**	**169**	**57**	**226**	348
Property income distribution from UK REITS	**–**	**15**	**–**	**15**	22
Scrip dividends	**–**	**6**	**–**	**6**	58
	3,180	**2,304**	**57**	**5,541**	5,016
Other interest receivable and similar income					
Deposit interest	**1**	**–**	**–**	**1**	11
Underwriting commission	**–**	**1**	**–**	**1**	4
Option income	**–**	**10**	**–**	**10**	19
	1	**11**	**–**	**12**	34
Total income	**3,181**	**2,315**	**57**	**5,553**	5,050

THE COMPANY

	Managed Growth 2013 £'000	Managed Income 2013 £'000	Managed Cash 2013 £'000	Total 2013 £'000	Total 2012 £'000
4. Management fee					
Charged to revenue	129	100	–	229	173
Charged to capital	387	119	–	506	380
	516	219	–	735	553

The management fees are included net of rebates. Details of the management fee of each share class are given in the Directors' Report on pages 40 and 41.

	Managed Growth 2013 £'000	Managed Income 2013 £'000	Managed Cash 2013 £'000	Total 2013 £'000	Total 2012 £'000
5. Other administrative expenses					
Other administration expenses	225	56	15	296	234
Directors' fees[1]	99	26	7	132	142
Savings scheme costs[2]	159	37	6	202	150
Fees paid to the Company's Auditor for the audit of the financial statements[3]	20	5	1	26	26
Audit related assurance services	5	2	1	8	8
Total charged to revenue	508	126	30	664	560

[1]Full disclosure is given in the Directors' Remuneration Report on pages 49 and 50.

[2]These costs were paid to JPMAM for the marketing and administration of savings scheme products.

[3]Includes £7,000 (2012: £3,000) of irrecoverable VAT.

Further details on how expenses are apportioned between each portfolio are given in note 1(e) on page 58.

	Managed Growth 2013 £'000	Managed Income 2013 £'000	Managed Cash 2013 £'000	Total 2013 £'000	Total 2012 £'000
6. Finance costs					
Charged to revenue	–	–	–	–	1
Charged to capital	–	–	–	–	2
	–	–	–	–	3

Notes to the Accounts continued

7. Taxation

(a) Analysis of tax charge in the year

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
UK corporation tax at 23.58% (2012: 25.16%)	–	–	–	–	–	–
Overseas withholding tax	5	–	5	1	–	1
Current tax charge for the year	5	–	5	1	–	1

(b) Factors affecting current tax charge for the year

The tax assessed for the year is lower (2012: lower) than the Company's applicable rate of corporation tax for the year of 23.58% (2012: 25.16%). The factors affecting the current tax charge for the year are as follows:

	2013 Revenue £'000	2013 Capital £'000	2013 Total £'000	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000
Net return on ordinary activities before taxation	4,660	49,814	54,474	4,316	7,591	11,907
Net return on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 23.58% (2012: 25.16%)	1,099	11,746	12,845	1,086	1,910	2,996
Effects of:						
Non taxable capital gains	–	(11,865)	(11,865)	–	(2,006)	(2,006)
Non taxable UK dividends	(1,189)	–	(1,189)	(1,133)	–	(1,133)
Non taxable overseas dividends	(40)	–	(40)	(63)	–	(63)
Unrelieved expenses	250	–	250	221	–	221
Overseas withholding tax	5	–	5	1	–	1
Non taxable scrip dividends	(1)	–	(1)	(15)	–	(15)
Tax relief allocated to capital	(119)	119	–	(96)	96	–
Current tax charge for the year	5	–	5	1	–	1

The Company has an unrecognised deferred tax asset of £680,000 (2012: £580,000) based on a prospective corporation tax rate of 21% (2012: 24%). The reduction in the standard rate of corporation tax was substantively enacted on 2nd July 2013 and is effective from 1st April 2014. The Government has also indicated that it intends to enact a future reduction in the main rate of corporation tax of 1% to 20% by 1st April 2015. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the accounts.

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

8. Dividends

(a) Dividends paid

	2013 £'000	2012 £'000
Managed Growth shares 2012 4th interim dividend of 1.10p (2011: 0.75p)	**424**	309
Managed Growth shares 1st interim dividend of 2.20p (2012: 1.35p)	**836**	550
Managed Growth shares 2nd interim dividend of 1.75p (2012: 2.10p)	**657**	845
Managed Growth shares 3rd interim dividend of 1.70p (2012: 1.40p)	**633**	552
Managed Income shares 2012 4th interim dividend of 0.85p (2011: 0.80p)	**448**	389
Managed Income shares 1st interim dividend of 0.85p (2012: 1.15p)	**451**	576
Managed Income shares 2nd interim dividend of 0.85p (2012: 0.70p)	**449**	351
Managed Income shares 3rd interim dividend of 0.85p (2012: 0.70p)	**444**	349
Managed Cash shares 2012 4th interim dividend of 0.25p (2011: 0.20p)	**34**	33
Managed Cash shares interim dividend of 0.15p (2012: 2nd interim 0.25p)	**21**	35
Total dividends paid in the year	**4,397**	3,989

In respect of dividends paid during the year ended 31st August 2013:

The 2012 4th interim dividends were paid on 21st September 2012 to shareholders on the register as at the close of business on 31st August 2012.

The 1st interim dividends were paid on 18th December 2012 to shareholders on the register as at the close of business on 23rd November 2012.

The 2nd interim dividends were paid on 20th March 2013 to shareholders on the register as at the close of business on 22nd February 2013.

The 3rd interim dividends were paid on 19th June 2013 to shareholders on the register as at the close of business on 24th May 2013.

(b) Dividends proposed

	2013 £'000	2012 £'000
Managed Growth shares 4th interim dividend of 1.35p (2012: 1.10p)	**502**	422
Managed Income shares 4th interim dividend of 1.00p (2012: 0.85p)	**519**	453
Managed Cash shares 4th interim dividend of £nil (2012: 0.25p)	**–**	34
Total dividends proposed	**1,021**	909

In respect of the dividends proposed, but not paid, during the year ended 31st August 2013, the 4th interim dividends were paid on 20th September 2013 to shareholders on the register as at the close of business on 30th August 2013.

Notes to the Accounts continued

THE COMPANY

8. Dividends continued

(c) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of dividends paid and proposed in respect of the financial year, as follows:

	2013 £'000	2012 £'000
Managed Growth shares 1st interim dividend of 2.20p (2012: 1.35p)	**836**	550
Managed Growth shares 2nd interim dividend of 1.75p (2012: 2.10p)	**657**	845
Managed Growth shares 3rd interim dividend of 1.70p (2012: 1.40p)	**633**	552
Managed Growth shares 4th interim dividend of 1.35p (2012: 1.10p)	**502**	422
Managed Income shares 1st interim dividend of 0.85p (2012: 1.15p)	**451**	576
Managed Income shares 2nd interim dividend of 0.85p (2012: 0.70p)	**449**	351
Managed Income shares 3rd interim dividend of 0.85p (2012: 0.70p)	**444**	349
Managed Income shares 4th interim dividend of 1.00p (2012: 0.85p)	**519**	453
Managed Cash shares interim dividend of 0.15p (2012: 2nd interim 0.25p)	**21**	35
Managed Cash shares 4th interim dividend of £nil (2012: 0.25p)	**–**	34
Total dividends for Section 1158 purposes	**4,512**	4,167

The revenue available for distribution by way of dividend for the year is £4,655,000 (2012: £4,315,000).

9. Return per share

Managed Growth

	2013 £'000	2012 £'000
Return per Managed Growth share is based on the following:		
Revenue return	**2,546**	2,492
Capital return	**43,013**	5,222
Total return	**45,559**	7,714
Weighted average number of shares in issue	**37,586,399**	39,869,106
Revenue return per share	**6.77p**	6.25p
Capital return per share	**114.44p**	13.10p
Total return per share	**121.21p**	19.35p

Managed Income

	2013 £'000	2012 £'000
Return per Managed Income share is based on the following:		
Revenue return	**2,085**	1,768
Capital return	**6,801**	2,369
Total return	**8,886**	4,137
Weighted average number of shares in issue	**52,592,307**	50,868,899
Revenue return per share	**3.97p**	3.48p
Capital return per share	**12.93p**	4.65p
Total return per share	**16.90p**	8.13p

Managed Cash

	2013 £'000	2012 £'000
Return per Managed Cash share is based on the following:		
Revenue return	**24**	55
Capital return	**–**	–
Total return	**24**	55
Weighted average number of shares in issue	**13,739,505**	13,951,016
Revenue return per share	**0.17p**	0.39p
Capital return per share	**0.00p**	0.00p
Total return per share	**0.17p**	0.39p

Notes to the Accounts continued

THE COMPANY

10. Investments

	2013 £'000	2012 £'000
Investments listed on a recognised stock exchange	**185,157**	155,331
Unlisted investments[1]	**63,585**	53,101
Total investments held at fair value	**248,742**	208,432

[1]Unlisted investments comprise investments in Open Ended Investment Companies, bond funds and liquidity funds.

	Listed £'000	Unlisted £'000	2013 Total £'000
Opening book cost	137,230	47,843	**185,073**
Opening investment holding gains	18,101	5,258	**23,359**
Opening valuation	155,331	53,101	**208,432**
Movement in the year:			
Purchases at cost	19,284	14,987	**34,271**
Sales - proceeds	(31,514)	(12,891)	**(44,405)**
Gains on sales of investments based on the carrying value at the previous balance sheet date	3,543	1,270	**4,813**
Net movement in investment holding gains and losses	38,513	7,118	**45,631**
Closing valuation	185,157	63,585	**248,742**
Closing book cost	134,011	51,733	**185,744**
Closing investment holding gains	51,146	11,852	**62,998**
Total investments held at fair value	185,157	63,585	**248,742**

During the year, prior year investment holding gains amounting to £5,992,000 were transferred to gains on sales of investments as disclosed in note 16.

Transaction costs on purchases during the year amounted to £120,000 (2012: £120,000) and on sales during the year amounted to £44,000 (2012: £44,000). These costs comprise mainly stamp duty and brokerage commission.

	2013 £'000	2012 £'000
11. Financial instruments – assets		
Futures contracts[1]	**72**	–

[1]TOPIX Index Futures at a contract cost of £1,775,000 and a market value of £1,847,000 giving an unrealised asset of £72,000.

	2013 £'000	2012 £'000
12. Current assets		
Debtors		
Securities sold awaiting settlement	**480**	172
Overseas tax recoverable	**–**	2
Dividends and interest receivable	**781**	630
Taxation recoverable	**42**	31
Other debtors	**19**	29
Total	**1,322**	864

The Directors consider that the carrying amount of debtors approximates to their fair value. No amounts are considered to be past due or impaired (2012: £nil).

Cash and short term deposits

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

	2013 £'000	2012 £'000
13. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	**209**	–
Other creditors and accruals	**159**	151
Derivative instruments held at fair value through profit or loss – written options	**–**	7
	368	158

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

	2013 £'000	2012 £'000
14. Financial instruments – liabilities		
Futures contracts[1]	**71**	–

[1]FTSE 100 Index futures at a contract cost of £4,470,000 and a market value of £4,422,000 giving an unrealised liability of £48,000. HANG SENG Index futures at a contract cost of £1,880,000 and a market value of £1,873,000 giving an unrealised liability of £7,000. S&P 500 Index futures at a contract cost of £3,668,000 and a market value of £3,652,000 giving an unrealised liability of £16,000.

Notes to the Accounts continued

15. Called up share capital

	2013 £'000	2012 £'000
Managed Growth		
38,344,436 (2012: 40,920,311) shares in issue at the beginning of the year	**5**	5
Net share conversion reduction of 123,777 (2012: reduction of 1,043,153) shares	**–**	–
Repurchase of 730,780 (2012: 1,532,722) shares for cancellation	**–**	–
Repurchase of 307,618 (2012: nil) shares into Treasury	**–**	–
Subtotal	**5**	5
307,618 (2012: nil) shares held in Treasury	–	–
Closing balance[1]	**5**	5
Founder Shares		
50,000 Founder shares of £1 each 25p partly paid in issue at the beginning and end of the year	**13**	13
Managed Income		
53,274,946 (2012: 50,446,078) shares in issue at the beginning of the year	**4**	4
Net share conversion reduction of 337,990 (2012: increase of 4,206,895) shares	**–**	–
Repurchase of 411,784 (2012: 1,378,027) shares for cancellation	**–**	–
Repurchase of 630,718 (2012: nil) shares into Treasury	**–**	–
Subtotal	**4**	4
630,718 (2012: nil) shares held in Treasury	–	–
Closing balance[2]	**4**	4
Managed Cash		
13,781,140 (2012: 14,075,774) shares in issue at the beginning of the year	**2**	2
Issue of 10,000 shares (2012: nil)	**–**	–
Net share conversion increase of 827,084 (2012: increase of 830,810) shares	**–**	–
Redemption of 878,853 (2012: 179,756) shares	**–**	–
Repurchase of 201,019 (2012: 945,688) shares for cancellation	**–**	–
Repurchase of 106,167 (2012: nil) shares into Treasury	**–**	–
Subtotal	**2**	2
106,167 (2012: nil) shares held in Treasury	–	–
Closing balance[3]	**2**	2
Total	**24**	24

[1]Represented by 37,489,879 (2012: 38,344,436) shares including 307,618 shares (2012: nil) held in Treasury.
[2]Represented by 52,525,172 (2012: 53,274,946) shares including 630,718 shares (2012: nil) held in Treasury.
[3]Represented by 13,538,352 (2012: 13,781,140) shares including 106,167 shares (2012: nil) held in Treasury.

During the year, 730,780 Managed Growth shares, 411,784 Managed Income shares and 201,019 Managed Cash shares were repurchased for cancellation for an aggregate consideration of £3,600,000. The reason for these purchases is to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount to net asset value per share at which those shares trade.

During the year, 307,618 Managed Growth shares, 630,718 Managed Income shares and 106,167 Managed Cash shares were repurchased into Treasury for a total consideration of £2,184,000.

Shareholders of Managed Growth, Managed Income and Managed Cash shares are entitled to convert some or all of their holdings in any of these share classes into one or more of the other two share classes on 28th February, 31st May, 31st August and 30th November each year (or, if such days are not business days, the next business day).

Managed Cash shareholders can also elect to have all or part of their holding of such shares repurchased by the Company for cash at the net asset value on each conversion date. During the year, the holders of 878,853 Managed Cash shares elected to have those holdings repurchased by the Company in these conversion opportunities for a total consideration of £882,000.

During the year, 10,000 Managed Cash shares were issued for a total consideration of £10,000.

Full details of transactions in share capital during the year are given in the Directors' Report on pages 38 and 39.

The Founder shares are non-voting and carry the right to receive a fixed dividend at the rate of 0.01% on their nominal value, but the holders have waived the right to receive such dividends.

Further details of the Company's capital structure are given on pages 38 and 39.

Deferred Shares

The Company Articles allow for Deferred shares to be allotted as part of the biannual share conversion process to ensure that the conversion does not result in a reduction of the par value of the Company's issued share capital (in contravention of the Companies Act). The Deferred shares are economically valueless and will be repurchased by the Company from time to time for a nominal sum. The issue and repurchase of the Deferred shares has no effect on the net asset value attributable to the holders of Managed Growth, Managed Income or Managed Cash shares. The shares have no voting rights on a winding up or entitlement to dividends.

There were no Deferred shares issued or purchased in the current or prior year.

Notes to the Accounts continued

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Holding gains and losses on investments £'000	Revenue reserve £'000
16. Reserves						
Opening balance	24	77,197	89,770	19,516	23,360	2,282
Realised foreign currency losses on cash and short term deposits	–	–	–	(3)	–	–
Realised gains on investments	–	–	–	4,813	–	–
Unrealised gains on investments	–	–	–	–	45,631	–
Transfer on disposal of investments	–	–	–	5,992	(5,992)	–
Realised losses on close out of futures contracts	–	–	–	(125)	–	–
Unrealised gains on futures	–	–	–	–	1	–
Unrealised gains on options	–	–	–	–	8	–
Repurchase of ordinary shares into Treasury	–	–	(2,184)	–	–	–
Issue of ordinary shares	–	10	–	–	–	–
Repurchase of ordinary shares for cancellation	–	–	(3,600)	–	–	–
Shares redeemed during the year (at Conversion point)	–	–	(882)	–	–	–
Issue proceeds arising from ordinary share conversion	–	1,052	–	–	–	–
Repurchase of ordinary shares for cancellation arising from share conversion	–	–	(1,052)	–	–	–
Expenses charged to capital	–	–	–	(506)	–	–
Other capital charges	–	–	–	(5)	–	–
Dividends paid in the year	–	–	–	–	–	(4,397)
Net revenue return for the year	–	–	–	–	–	4,655
Closing balance	**24**	**78,259**	**82,052**	**29,682**	**63,008**	**2,540**

Repurchase and cancellation of the Company's own shares

During the year a total of 730,780 Managed Growth shares, 411,784 Managed Income shares and 201,019 Managed Cash shares were repurchased by the Company and cancelled. In addition, the holders of 878,853 Managed Cash shares elected to have those holdings redeemed by the Company in the three conversion opportunities available to holders of those shares in the year. The transfer from share capital to capital redemption reserve is not shown above as the total nominal value of the shares cancelled is less than £1,000. No capital redemption reserve is shown as the cumulative balance on the reserve at 31st August 2013 is less than £1,000.

17. Net asset value per share

The net asset values per share are calculated as follows:

	2013 Managed Growth	2013 Managed Income	2013 Managed Cash	2012 Managed Growth	2012 Managed Income	2012 Managed Cash
Net assets attributable (£'000)	**192,737**	**49,271**	**13,557**	154,833	43,385	13,931
Shares in issue at the year end	**37,182,261**	**51,894,454**	**13,432,185**	38,344,436	53,274,946	13,781,140
Net asset value per share (pence)	**518.4**	**94.9**	**100.9**	403.8	81.4	101.1

18. Reconciliation of net return on ordinary activities before finance costs and taxation to net cash inflow from operating activities

	2013 £'000	2012 £'000
Total net return on ordinary activities before finance costs and taxation	**54,474**	11,910
Less capital return before finance costs and taxation	**(49,814)**	(7,593)
Increase in accrued income	**(151)**	(108)
Decrease in other debtors	**10**	77
Increase in accrued expenses	**16**	13
Scrip dividends received as income	**(6)**	(58)
Management fee charged to capital	**(506)**	(380)
Taxation on unfranked income	**(29)**	(19)
Net cash inflow from operating activities	**3,994**	3,842

19. Analysis of changes in net funds

	At 31st August 2012 £'000	Cash flow £'000	Exchange movement £'000	At 31st August 2013 £'000
Cash and short term deposits	3,011	2,860	(3)	**5,868**
Total funds	3,011	2,860	(3)	**5,868**

20. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2012: none).

Notes to the Accounts continued

21. Transactions with the Manager

Details of the management contracts are set out in the Directors' Report on pages 40 and 41. The total amount payable to JPMAM for the year in respect of these contracts was £735,000 (2012: £553,000), of which £nil (2011: £nil) was outstanding at the year end. In addition £202,000 (2012: £150,000), excluding VAT, was payable to JPMAM for the marketing and administration of savings scheme products of which £39,000 (2012: £nil) was outstanding at the year end.

Custody fees amounting to £3,000 (2012: £3,000) were payable to third party custodians by JPMorgan Chase on behalf of the Company, of which £1,000 (2012: £1,000) was outstanding at the year end. Handling fees amounted to £5,000 (2012: £1,000) of which £1,000 (2012: £2,000) was outstanding at the year end.

JPMAM carries out some of its investment transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £21,000 (2012: £13,000) of which £nil (2012: £nil) was outstanding at the year end. The Company has been informed that certain of its dealing transactions may be subject to commission sharing arrangements.

The Company holds investments in funds managed by JPMAM. At 31st August 2013 these were valued at £152.9 million (2012: £126.8 million) and represented 61.5% (2012: 60.8%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £17.4 million (2012: £32.0 million) and sales with a total value of £24.4 million (2012: £35.6 million). Income amounting to £3.0 million (2012: £2.8 million) was receivable from these investments during the year of which £432,000 (2012: £334,000) was outstanding at the year end.

At the year end, a bank balance of £5,868,000 (2012: £3,011,000) was held with JPMorgan Chase. Interest amounting to £1,000 (2012: £11,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2012: £1,000) was outstanding at the year end. Further details regarding the management of credit risk in relation to the holding of cash are in note 23(c) on pages 77 and 78.

22. Disclosures regarding financial instruments held at fair value

The Company's financial instruments that are held at fair value comprise its investment portfolio and derivative financial instruments comprising written options and futures contracts.

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

Level 1 – valued using quoted prices in active markets.

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

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

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in note 1(b) on page 57.

The following table sets out the fair value measurements using the FRS 29 hierarchy at 31st August:

	2013			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	232,439	–	–	232,439
Investments in liquidity funds	13,566	–	–	13,566
Bond funds	2,737	–	–	2,737
Derivative financial instruments – future asset	–	72	–	72
Derivative financial instruments – futures liabilities	–	(71)	–	(71)
Total	248,742	1	–	248,743

	2012			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss				
Equity investments	190,121	–	–	190,121
Investments in liquidity funds	13,702	–	–	13,702
Bond funds	4,609	–	–	4,609
Derivative financial instruments – written options	–	(7)	–	(7)
Total	208,432	(7)	–	208,425

There have been no transfers between Levels 1, 2 or 3 during the current or comparative year.

23. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities for the long term so as to pursue the investment objectives stated on the 'Features' page of this report. In pursuing these objectives, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the revenue available for distribution. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

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

The Company's financial instruments may comprise the following:

- investments in equity shares with UK exposure;
- investments in investment trusts with UK and international exposure, open ended investment companies, bond funds and sterling liquidity funds;
- derivative financial instruments including futures contracts and forward currency contracts;
- call and put options written by the Company to generate additional income; and
- short term debtors, creditors and cash arising directly from its operations.

The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied to financial instruments.

(a) Market risk

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

(i) Currency risk

The Company has no direct material exposure to foreign currencies. The Company's investments and other financial assets are almost entirely denominated in sterling (the Company's functional currency and the currency in which it reports). As a result, movements in exchange rates will have no direct material effect on the value of those items. The investments in the Managed Cash pool of assets comprise sterling liquidity funds and consequently there is no foreign currency exposure. The investments in the Managed Growth and Managed Income pools of assets are almost entirely priced in sterling. However, there is some indirect exposure to foreign currencies, particularly in the Managed Growth portfolio which includes holdings in investment trusts and open ended investment companies which invest in overseas markets.

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the yield on the liquidity funds held in the Managed Cash pool of assets. The Company had no borrowings at the year end (2012: none). Interest rate movements may also affect the income receivable from and the fair value of investments in bond funds held by the Company. However, it is not possible to assess the impact of interest rate movements on the value of these investments accurately and therefore the exposure has been included in other price risk in part (iii) to this note. The Company has no other exposure to fair value interest rate risk.

Management of interest rate risk

The Company does not normally hold significant cash balances other than for short term working capital management and would expect to be fully invested in normal market conditions.

Interest rate exposure

At the balance sheet date, the exposure of financial assets to floating interest rates, giving cash flow interest rate risk when rates are reset, was as follows:

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Exposure to floating interest rates:								
Cash and short term deposits	5,347	518	3	5,868	1,586	1,186	239	3,011
Investments in liquidity funds	–	–	13,566	13,566	–	–	13,702	13,702
Total exposure	5,347	518	13,569	19,434	1,586	1,186	13,941	16,713

Interest receivable on cash balances is at a margin below the sterling London Interbank Offer Rate. The liquidity funds generally aim to produce a yield comparable to the seven day sterling London Interbank Bid Rate.

The above year end exposures are not representative of the exposure to interest rates during the year as the cash balances and investments in liquidity funds have fluctuated. The maximum and minimum exposures during the year were as follows:

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Maximum interest rate exposure to floating rates	5,679	1,186	14,170	21,035	5,371	3,711	14,732	23,814
Minimum interest rate exposure to floating rates	903	119	13,569	14,591	393	213	13,749	14,355

Interest rate sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets to a 1.0% (2012: 1.0%) increase or decrease in interest rates in regards to the Company's monetary financial assets. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments with a direct interest rate exposure held at the balance sheet date, with all other variables held constant.

A 1.0% increase in interest rates would have the following effect:

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Income statement - return after taxation								
Revenue return	**53**	**5**	**136**	**194**	16	12	139	167
Net assets	**53**	**5**	**136**	**194**	16	12	139	167

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to an interest rate rise due to fluctuation in the level of cash balances and investment in liquidity funds.

In the event of a 1.0% decrease in interest rates, the interest receivable on cash balances and liquidity funds would fall to zero, as the interest earned on these balances is currently less than 1.0%.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency movements, which may affect the value of investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The 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 profile.

Other price risk exposure

The Company's exposure to changes in market prices at 31st August comprises its holdings in equity investments, bond funds, futures contracts and options as follows. Holdings in liquidity funds are not deemed to be exposed to other price risk.

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Equity investments held at fair value through profit or loss	**186,821**	**45,618**	**–**	**232,439**	152,854	37,267	–	190,121
Investments in bond funds held at fair value through profit or loss	**–**	**2,737**	**–**	**2,737**	–	4,609	–	4,609
Derivative instruments - futures contracts/(written options)	**1**	**–**	**–**	**1**	–	(7)	–	(7)
	186,822	**48,355**	**–**	**235,177**	152,854	41,869	–	194,723

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

THE COMPANY

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(iii) Other price risk continued

Concentration of exposure to other price risk

A list of investments in the Managed Growth and Managed Income portfolios is given on pages 13 and 24. This shows that the Managed Growth portfolio comprises investments with a broad geographical exposure through investment in UK listed investment trusts and open-ended funds, with no concentration of exposure to any one country. A substantial proportion of the Managed Income portfolio is invested in UK equities and accordingly there is a concentration of exposure. However it should be noted that an investment may not necessarily be wholly exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of revenue after taxation for the year and net assets to an increase or decrease of 10% (2012: 10%) in the fair value of equity investments, options, bond funds and futures contracts held in the Managed Growth and Managed Income portfolios. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments and adjusting for change in the management fee, but with all other variables held constant.

A 10% increase in fair values would have the following effect:

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Income statement – return after taxation:								
Revenue return	**(17)**	**(13)**	**–**	**(30)**	(14)	(10)	–	(24)
Capital return	**18,630**	**4,823**	**–**	**23,453**	15,243	4,177	–	19,420
Total return after taxation and net assets	**18,613**	**4,810**	**–**	**23,423**	15,229	4,167	–	19,396

A 10% decrease in fair values would have the following effect:

	2013				2012			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Income statement – return after taxation:								
Revenue return	**17**	**13**	**–**	**30**	14	10	–	24
Capital return	**(18,630)**	**(4,823)**	**–**	**(23,453)**	(15,243)	(4,177)	–	(19,420)
Total return after taxation and net assets	**(18,613)**	**(4,810)**	**–**	**(23,423)**	(15,229)	(4,167)	–	(19,396)

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. The Board would expect to be fully invested in normal market conditions but to retain sufficient cash balances to settle short term liabilities. The Company has no fixed term borrowings.

Liquidity risk exposure

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

	2013 Three months or less £'000	2013 More than three months but less than six months £'000	2013 Total £'000	2012 Three months or less £'000	2012 More than three months but less than six months £'000	2012 Total £'000
Creditors: amounts falling due within one year						
Securities purchased awaiting settlement	209	–	209	–	–	–
Other creditors and accruals	159	–	159	151	–	151
Derivative instruments held at fair value through profit or loss – futures contracts/ written options	71	–	71	–	7	7
	439	–	439	151	7	158

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash

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

Exposure to JPMorgan Chase

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

Notes to the Accounts continued

23. Financial instruments' exposure to risk and risk management policies continued

(c) Credit risk continued

Credit risk exposure

The Company's investments in liquidity funds and the amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year ends.

The liquidity funds held in the Company's investment portfolio all have a AAA (2012: AAA) credit rating.

Cash and short term deposits comprise balances held at banks that have a minimum rating of A1/P1 (2012: A1/P1) from Standard & Poor's and Moody's respectively.

(d) Fair values of financial assets and financial liabilities

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

24. Capital management policies and procedures

The Company's capital is divided into three share classes, each with distinct objectives and investment policies. The capital of the three share classes is as disclosed in the balance sheet and is managed on a basis consistent with the investment objectives and policies disclosed in the Directors' Report on pages 35 and 36.

The Company's capital structure is as detailed in note 15 on pages 68 and 69. The Company has no gearing. The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

The need to buy back equity shares, either for cancellation or to be held in Treasury, which takes into account the share price discount or premium; and the need for issues of new shares.

The Board does not intend to utilise borrowings to increase the funds available for investment.

Notice of Annual General Meeting

Notice is hereby given that the thirteenth Annual General Meeting of JPMorgan Elect plc will be held at 200 Aldersgate, St Paul's, London EC1A 4HD on Thursday, 19th December 2013 at 12 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 31st August 2013.
2. To approve the Directors' Remuneration Report for the year ended 31st August 2013.
3. To reappoint Alan Hodson as a Director of the Company.
4. To reappoint James Robinson as a Director of the Company.
5. To reappoint Angus Macpherson as a Director of the Company.
6. To reappoint Robert Ottley as a Director of the Company.
7. To reappoint Roger Yates as a Director of the Company.
8. To reappoint Ernst & Young LLP as the Auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

9. THAT the Board be and is hereby generally and unconditionally authorised (in substitution of any authorities previously granted to Directors) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Companies Act 2006 (the 'Act')) up to 3,713,512 Managed Growth Shares, 5,155,098 Managed Income Shares and 814,060 Managed Cash Shares (being 10% of the issued share capital of the Managed Growth, Managed Income and Managed Cash share classes of the Company as at 29th October 2013) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2014 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of new shares – Special Resolution

10. THAT, subject to the passing of resolution 9 set out above, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in the Company by way of rights issue, open offer or otherwise to holders of Managed Growth shares, Managed Income shares and Managed Cash shares where the equity securities respectively attributable to the interest of all Managed Growth shares, Managed Income shares and Managed Cash shares are proportionate to the respective numbers of Managed Growth shares, Managed Income shares and Managed Cash shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or any territory or otherwise howsoever; and/or

(b) the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities for cash or by way of a sale of Treasury shares up to 3,713,512 Managed Growth Shares, 5,155,098 Managed Income Shares and 814,060 Managed Cash Shares (being 10% of the total issued share capital of the Managed Growth, Managed Income and Managed Cash share classes of the Company as at 29th October 2013) at a price not less than the net asset value per share; and shall expire upon the expiry of the general authority conferred by Resolution 9 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

11. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Managed Growth shares, Managed Income shares and Managed Cash shares (all being classes of ordinary shares

Notice of Annual General Meeting continued

in the capital of the Company), on such terms and in such manner as the Directors may from time to time determine.

PROVIDED ALWAYS THAT:

(i) the maximum number of Managed Growth, Managed Income and Managed Cash shares hereby authorised to be purchased shall be 5,566,555, 7,727,492 or 1,220,276 respectively, or, if different, that number of Managed Growth, Managed Income and Managed Cash shares which is equal to 14.99% of the issued share capital of the relevant share class as at the date of the passing of this Resolution;

(ii) the minimum price which may be paid for a Managed Growth, Managed Income and Managed Cash share shall be 0.01p, 0.003p and 0.003p respectively;

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

(iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;

(v) the authority hereby conferred shall expire on 18th June 2015 unless the authority is renewed at the Company's Annual General Meeting in 2014 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to make off-market purchases – Special Resolution

12. THAT the proposed Contingent Purchase contract between Winterflood Securities Limited and JPMorgan Elect plc to enable the Company to make off-market purchases of its own securities pursuant to Section 694 of the Act in the form produced at the meeting and initialled by the Chairman, be and is hereby approved and the Company be and is hereby authorised to enter into and perform such contract, but so that the approval and authority conferred by this resolution shall expire on the day immediately preceding the date which is 18 months after the passing of this resolution or, if earlier, the next Annual General Meeting of the Company.

By order of the Board
Rebecca Burtonwood, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary.
6th November 2013

Notes
These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person. If you attend the Meeting in person, your proxy appointment will be terminated automatically.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative. Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanies by a statement setting out the grounds for the request.

Notice of Annual General Meeting continued

11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.jpmelect.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Annual General Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 29th October 2013 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 37,135,126 Managed Growth shares, 51,550,981 Managed Income shares and 8,140,605 Managed Cash shares. Voting rights are calculated by reference to the Share Voting numbers which, as at 31st August 2013, were 5.18 (Managed Growth), 0.95 (Managed Income) and 1.01 (Managed Cash). Therefore the total voting rights in the Company are 249,555,394.

Electronic appointment – CREST members

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

Glossary of Terms and Definitions

Return to Shareholders

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

Return on Net Assets

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the relevant share class of the Company at the NAV per share at the time the shares were quoted ex-dividend.

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

Benchmark Return

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

The benchmarks are composites of recognised indices of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not track these indices and consequently, there may be some divergence between the performance of the relevant portfolio and that of its benchmark.

Gearing/Net Cash

Gearing represents the excess amount above shareholders' funds of total assets less cash/cash equivalents, expressed as a percentage of shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Ongoing Charges

Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the daily net assets during the year (2011 to 2009: Total Expense Ratio: the average of the month end net assets; 2008 and prior years: Total Expense Ratio: the average of the opening and closing net assets).

Share Price Discount/Premium to Net Asset Value ('NAV') Per Share

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

Capital Structure and Conversion between Share Classes

JPMorgan Elect plc adopted its present structure as a result of the combination of JPMorgan Fleming Managed Growth plc and JPMorgan Fleming Managed Income plc and the subsequent capital reorganisation. The Company's name reflects the capital structure and the investment flexibility it offers to shareholders. There are three share classes, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange. This capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

Capital Structure

- **Managed Growth Shares**
  Designed to provide long term capital growth by investing in a range of closed and open-ended funds managed principally by JPMAM.
- **Managed Income Shares**
  Designed to provide a growing income together with the potential for long term capital growth by investing in equities, investment trusts and fixed income securities.
- **Managed Cash Shares**
  Designed to preserve capital with a yield based on short term interest rates by investing in a range of liquidity funds, selected for their yield and credit rating, and short dated AAA-rated UK or G7 government securities hedged into sterling.

Investing in Managed Cash Shares

Based on its return characteristics and the costs incurred in transacting in its shares, an investment in Managed Cash should only be considered by existing holders of Managed Growth and/or Managed Income who wish to switch into Managed Cash on the designated quarterly conversion dates. Accordingly, Managed Cash shares are not available for purchase through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP or on J.P. Morgan WealthManager+.

Repurchase of Managed Cash Shares

In order to mitigate the impact of the market spread on the Managed Cash shares it is possible for holders of Managed Cash shares to elect to have all or part of their holding of such shares repurchased by the Company for cash at a price close to net asset value on each conversion date (see below).

Conversion Opportunities

Shareholders in any of the three share classes are able to convert some or all of their shares into shares of the other classes on a quarterly basis without such conversion being treated, under current law, as a disposal for UK capital gains tax purposes.

The conversion mechanism allows shareholders to alter their investment profile to match their changing investment needs in a tax-efficient manner. Conversion dates arise every three months on 28th/29th February, 31st May, 31st August and 30th November (if such a date is not a business day, then the conversion date will move to the next business day). The Company, or its Manager, will make no administrative charge for any of the above conversions.

Conversion between the share classes

Those who hold shares through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP must complete and submit a conversion instruction form which can be found at www.jpmelect.co.uk. Instructions for CREST holders can also be found at this address. Those who hold shares in certificated form on the main register must complete the conversion notice printed on the reverse of their certificate and send it to the Company's Registrars at the following address:

Equiniti Limited
Repayments Team
Corporate Actions
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Instructions must be received no earlier than 45 and no later than 14 calendar days before the chosen conversion date.

The number of shares that will arise upon conversion will be determined on the basis of the relative net asset values of each share class, taking into account the costs of the conversion process. Conversion will not affect the net asset value per share of those shares held by any shareholder who does not convert.

With regard to those who hold shares through the J.P. Morgan Investment Account, J.P. Morgan ISA or J.P. Morgan SIPP, the minimum number of shares of any class which may be converted is 1,000 shares (subject to a minimum value of £500). Conversion of fewer shares may only take place if the number to be converted constitutes the shareholder's entire holding in that class.

Shareholders who hold shares in certificated form on the main register or those who hold their shares in electronic form through CREST may convert a minimum of 1,000 shares or, if lower, their entire holding.

More details concerning conversion dates and conversion instruction forms can be found on the Company's website: www.jpmelect.co.uk.

Warning to shareholders – Boiler Room Scams

In recent years, many companies have become aware that their shareholders have been targeted by unauthorised overseas-based brokers selling what turn out to be non-existent or high risk shares, or expressing a wish to buy their shares. If you receive unsolicited investment advice or requests:

- Make sure you get the correct name of the person or organisation
- Check that they are properly authorised by the FCA before getting involved by visiting **www.fca.org.uk/consumers**
- Report the matter to the FCA by calling **0800 111 6768**
- If the calls persist, hang up.

More detailed information on this can be found on the Money Advice Service website **www.moneyadviceservice.org.uk**

Information about the Company

Financial Calendar

Financial year end	31st August
Final results announced	October/November
Half year end	28th February
Half year results announced	April
Interim Management Statements announced	June/December
Dividends payable (if any)	
Managed Growth, Managed Income and Managed Cash	March, June, September and December
Annual General Meeting	December

History
The Company was incorporated on 16th September 1999 and launched as an investment trust on 24th November 1999 with assets of £28 million. The Company changed its name to JPMorgan Fleming Managed Growth plc on 5th December 2002. The Company's name was changed to JPMorgan Fleming Elect plc on 14th January 2004 following the capital reorganisation and combination of JPMorgan Fleming Managed Growth plc and JPMorgan Fleming Managed Income plc. The Company adopted its present name on 2nd February 2006.

Company Numbers
Company registration number: 3845060
London Stock Exchange Sedol numbers:
Managed Growth: 0852814, Managed Income: 3408021,
Managed Cash: 2408009

ISIN:

Managed Growth:	GB0008528142
Managed Income:	GB0034080217
Managed Cash:	GB0034080092

Bloomberg Codes:

Managed Growth:	JPE LN
Managed Income:	JPEI LN
Managed Cash:	JPEC LN

Market Information
The Company's net asset values ('NAV') are published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at www.jpmelect.co.uk, where the share prices are updated every fifteen minutes during trading hours.

Website
www.jpmelect.co.uk

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

aic
The Association of Investment Companies
A member of the AIC

Manager and Company Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone number: 020 7742 4000

For company secretarial and administrative matters, please contact Rebecca Burtonwood.

Custodian
JPMorgan Chase Bank, N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Registrars
Equiniti Limited
Reference 2018
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0871 384 2530

Calls to this number cost 8p per minute plus network charges. Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrars quoting reference 2018.

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

Independent Auditor
Ernst & Young LLP
Chartered Accountants and Statutory Auditor
1 More London Place
London SE1 2AF

Brokers
Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA

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

JPMorgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmelect.co.uk