



Annual Report **2010**  
JPMorgan Elect plc

Annual Report & Accounts for the year ended 31st August 2010

# Features

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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.

**Managed Income** - Growth of income with potential for long term capital growth by investing in equities, investment trusts 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 government securities/G7 government securities hedged into sterling.

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** - The benchmark is a composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms. 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.

**Managed Cash** - There is no benchmark for this portfolio.

### Capital Structure

**Managed Growth** share class had 42,217,296 (2009: 44,650,134) ordinary shares in issue at the year end.

**Managed Income** share class had 49,392,316 (2009: 51,979,421) ordinary shares in issue at the year end.

**Managed Cash** share class had 19,753,573 (2009: 21,425,261) ordinary shares in issue at the year end.

### Management Company

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

# Chairman's Statement



The investment managers' reports on the following pages provide a detailed review of the last financial year together with a market outlook for each share class. I would encourage shareholders to take the time to read each of these reports.

Overall, though, volatility has continued to shape markets over the course of the 12 months to the end of August 2010 because of the uncertainty in respect of the nature and strength of the economic recovery. The rally in equity markets in the first six months of the Company's financial year, was followed by a more subdued picture in the second half, with the Company's total returns over the 12 months more or less replicating the returns that I reported at the half year. Market conditions remain testing and although performance has been fair under difficult circumstances, there is no cause for complacency.

## Managed Growth

### Performance

The performance benchmark, comprising 50% each of the FTSE All-Share and FTSE World (ex-UK) indices, returned 9.7% over the year, compared with a figure of 10.6% for the total return to shareholders. Part of this return reflects a narrowing of the discount to net asset value at which the shares are traded, which if extracted means that the total return on net assets is 9.4%. The Board views this outcome as satisfactory given the widening of discounts in some of the portfolio's largest holdings, together with some disappointing price movements, reflecting the continued volatile behaviour of markets.

### Dividends

Shareholders will remember that there is no specific dividend objective for the Managed Growth class, the dividend simply reflecting the payments made by the underlying investments. During the year, three interim dividends totalling 4.30 pence were paid. The Directors have declared a fourth interim dividend of 0.75 pence per share in respect of the three months to 31st August 2010, which will be paid on 21st December 2010 to shareholders on the register at the close of business on 26th November 2010. Total dividends for 2010 are therefore 5.05 pence per share and compare with 7.15 pence in 2009; a decrease of 29.4%. Dividends are paid in June and December.

### Share Capital

In the year to 31st August 2010, 70,000 Managed Growth shares were issued and a total of 2,698,341 shares were repurchased for cancellation. As is the case for all three share classes, the new shares were issued at a premium, and existing shares repurchased at a discount, to net asset value, thereby benefiting all continuing shareholders. Since the year end, the portfolio has issued a further 80,000 shares and repurchased 298,598 shares for cancellation.

# Chairman's Statement continued

## Managed Income

### Performance

The performance benchmark, comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms, returned 10.9%. The Managed Income share class produced a total return on net assets of 10.4%. The average discount for the year was 0.9% but an anomalous move out to 4% at the year-end sharply, and temporarily, distorted the calculation of the total return to shareholders to a poor 7.6%. The Board has made it clear to the investment managers that despite the welcome improvement in the first half performance as a result of the structural changes made last year, there are no grounds for complacency and further progress is needed.

### Dividends

The aim of the share class is to produce growing income. Whilst this proved possible in times of consistent economic growth, dividend cuts throughout the market have severely depleted our revenue; an investment strategy to maintain the level of the dividend payment would have resulted in unacceptable risk to future prospects, so the Board has decided to reduce the dividend this year. Earnings per share for the portfolio were 2.68 pence, compared with 3.55 pence last year. Four interim dividends totalling 3.30 pence were paid, which included a transfer from revenue reserves of £306,000 compared with 4.30 pence last year (which included a transfer from reserves of £389,000). At 31st August 2010 the net dividend yield of the Managed Income shares was 4.7% (including the transfer from reserves), compared with 3.4% for the benchmark. Over the period of falling dividends the Board has thought it sensible to use revenue reserves to help smooth payments but by its nature this policy has a limited life. However, there are encouraging signs that companies will be increasing dividend payments next year, and although these increases will not immediately be reflected in dividend payments for this share class, it is the Board's intention to return to a pattern of dividend growth as soon as prudently possible.

Dividends on the 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 will not necessarily be of equal amounts.

### Share Capital

In the year to 31st August 2010, 2,360,993 Managed Income shares were repurchased for cancellation. Since the year end, the portfolio has repurchased a further 144,175 shares for cancellation.

## Managed Cash

### Performance

The portfolio's objective of capital preservation remains paramount. As shareholders will be aware, the Bank of England base rate has remained at 0.5% throughout the

year; the returns generated by the portfolio's underlying money market funds have accordingly been low and this is reflected in a total return on net assets of 0.4% with a nil return to shareholders.

#### **Dividends**

The Board has not declared any dividends for the share class this year, as only some £44,000 of income has been generated, in stark contrast to £348,000 in 2009 and £1,039,000 in 2008, reflecting the changed interest rate environment. The limited income from 2010 will be carried forward to 2011 and paid out when the Board judges it appropriate.

Dividends on the Managed Cash shares were previously paid quarterly in March, June, September and December each year. Dividends will always be highly 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 2010, 250,000 Managed Cash shares were issued and a total of 673,900 shares were repurchased for cancellation. Since the year end, the portfolio has repurchased a further 250,000 shares for cancellation.

#### **Conversion Opportunities Between Share Classes**

As reported in the Company's half year report, the Company received clearance from HMRC to allow quarterly conversion opportunities during the year. Accordingly shareholders are now 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 page 83 of this report and on the Company's website.

#### **Annual General Meeting**

The Company's Annual General Meeting will be held at Dexter House, No.2 Royal Mint Court, Tower Hill, London, EC3N 4QN on Wednesday 15th December 2010 at 12.00 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](http://www.jpmelect.co.uk).

Simon Miller  
Chairman

11th November 2010

# Managed Growth Share Class Financial Results

Total Returns (includes dividends reinvested)

**+10.6%**

Return to shareholders<sup>1</sup>  
(2009: -5.0%)

**+9.4%**

Return on net assets<sup>2</sup>  
(2009: -4.6%)

**+9.7%**

Benchmark return<sup>3</sup>  
(2009: -6.7%)

**5.05p**

Dividend  
(2009: 7.15p)

## Financial Data

	31st August 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>150,412</b>	148,252	+1.5
Number of shares in issue	<b>42,217,296</b>	44,650,134	-5.4
Net asset value per share	<b>356.3p</b>	332.0p	+7.3
Share price	<b>349.0p</b>	321.0p	+8.7
Share price discount to net asset value	<b>2.0%</b>	3.3%	
Total expense ratio <sup>4</sup>	<b>0.49%</b>	0.63%	

A glossary of terms and definitions is provided on page 82.

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

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

<sup>3</sup>Source: FTSE. The benchmark is a composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK).

<sup>4</sup>Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the month end net assets during the year.

# Investment Managers' Report



Jonathan Lowe



Katy Thorneycroft

## Review

The year to the end of August 2010 has been a period of continued, but volatile, recovery, both in markets and economies. The first half of the year saw equity markets continue to move ahead as investors looked for, and found, signs that the economic recovery was feeding through to corporate earnings. We commented in the Company's half year report that there were some pauses and hiccups along the way (Nakheel coming close to default, sovereign credit concerns in Europe) but by and large equity markets took comfort from continued earnings growth.

The second half of the year saw increased volatility and while in aggregate markets made little progress from the end of February to the end of August (the FTSE World Index increased by 12.4% over the first six months under review, but fell by 3.6% over the second six months) this result masks some large positive and negative movements. May and June in particular saw large equity market falls as investor focus fell once again to Eurozone solvency concerns and slowing economic data. However, markets rebounded to the end of July before selling off again in August.

Currency movements were volatile over the period with sterling investors benefiting from the strength of the US dollar and the Japanese yen, but being impacted by euro weakness. We continued to see divergent trends between developed market and developing market returns throughout the year. While emerging markets rose by 26% over the 12 months, Europe fell by 7.5% (both in sterling terms). Government bond markets also provided positive returns over the year with the yield on the 10 year Treasury falling from 3.4% to 2.5% as it became clear that interest rates are likely to remain lower for longer than expected.

The over-riding concerns of the year were sovereign debt default worries in Europe and the required fiscal austerity measures limiting economic growth; more restrictive monetary conditions in China and whether the 'surplus' countries globally would be able to grow enough to compensate the 'deficit' countries; whether the slowing data we saw was merely a soft patch or indicative of a 'double-dip' recession; and the likelihood and timing of a second round of quantitative easing, in particular in the US.

Despite concerns over the economic back-drop, corporate profits remained healthy and grew over the year. Earnings momentum, as measured by the ratio of upgrades to downgrades, continues to be positive and valuations are undemanding. At the time of writing, risk assets have rallied once again since the end of August to bring global equity markets into positive territory for 2010 to date.

## Performance

The table below summarises the performance of the Managed Growth portfolio over the past five years.

### Total returns to 31st August 2010

Managed Growth	Six months	One year	Two years	Three years	Five years
NAV Return	0.1	9.4	4.4	-7.2	43.0
Benchmark	-1.8	9.7	2.4	-3.0	24.3
FTSE All-Share Index	0.6	10.7	1.5	-7.3	21.0
FTSE World Index (ex-UK)	-4.1	8.6	3.2	1.3	27.5

Source: Bloomberg/J.P. Morgan.

# Investment Managers' Report continued

It is clear looking at these numbers that the portfolio has not made much progress in absolute terms since the end of February, however, over the full year the net asset value has risen by 9.4%. This is slightly behind our benchmark return of 9.7%. The return to shareholders over the year was 10.6%.

Regionally, having benefited from being underweight the UK over recent years, this year this positioning detracted from returns as the FTSE All-Share outperformed the FTSE World (ex-UK). The portfolio was slightly underweight Continental Europe and Japan which was a small benefit to portfolio returns; underweight the US which detracted from returns due to the strengthening of the US dollar; and substantially overweight Asia ex Japan and the emerging markets which contributed to returns.

Fund performances were disappointing for our largest holdings with a number of positions underperforming their benchmarks (JPMorgan Claverhouse Investment Trust, JPMorgan American Investment Trust, JPMorgan UK Dynamic, The Mercantile Investment Trust and JPMorgan Asian Investment Trust). However, we saw strong relative performance from JPMorgan US Select, JPMorgan Emerging Markets Investment Trust and JPMorgan European Investment Trust (Growth shares). Our larger third party holdings fared better in most instances with Hansa Trust 'A' shares, Jupiter European Opportunities and Finsbury Growth & Income all performing strongly relative to their benchmarks. Those third party funds which were weaker included SVM UK Active and Fidelity Special Values.

Discount movements were not a large contributor to returns over the year. While the aggregate investment trust market discount for the FTSE Equity Investment Instruments Index tightened by 0.5% over the period, a number of our larger investment trust holdings saw some discount widening (JPMorgan Claverhouse, Hansa 'A', Fidelity Special Values, Artemis Alpha, Alliance Trust). Of those that saw discount tightening Jupiter European Opportunities benefited the portfolio the most when its discount moved from 16.7% to 10.5% over the year. Other trusts whose discounts tightened included Blackrock World Mining, Finsbury Growth & Income and JPMorgan US Smaller Companies Investment Trust (formerly JPMorgan US Discovery Investment Trust).

## **Portfolio Review**

At the end of August 2010 approximately 56% of the portfolio was invested in J.P. Morgan managed investment trusts, 16% in J.P. Morgan managed open-ended funds and 27% in investment trusts managed by third party managers. The balance of the portfolio was in cash.

The portfolio activity can be divided into three main themes: rebalancing and reducing the underweight in the UK part of the portfolio, reducing the European exposure and adding to Asia and the emerging markets, and taking advantage of discount movements to add to or reduce positions. Within our UK positions, the key trades that we made were that we reduced JPMorgan UK Dynamic, Fidelity Special Values and sold Perpetual Income & Growth. With the proceeds we added to Schroder UK Growth, Artemis Alpha and JPMorgan Claverhouse Investment Trust. We reduced JPMorgan European Investment Trust (Growth shares), Gartmore Irish Growth and Jupiter European Growth and purchased a new position in JPMorgan Brazil Investment Trust as well as adding to JPMorgan Indian, JPMorgan Chinese and

Edinburgh Dragon investment trusts. We reduced Finsbury Growth & Income and The Biotech Growth Trust when they were trading close to net asset value and added to trusts on wide discounts such as JPMorgan European Smaller Companies, The Mercantile Investment Trust, SVM UK Active, JPMorgan Smaller Companies and Hansa 'A'. It should be noted that the trusts trading on the most attractive discounts in May and June were the smaller companies trusts and as a result of adding to some of these names we saw our weighting in small and mid cap increase slightly to 15% of the portfolio by the end of August 2010 compared with 13.5% at the end of August 2009.

#### **Outlook**

At the time of writing we have seen a very strong period of equity market performance. In the short term we see risks that equity markets are discounting too much from expectations of a second round of quantitative easing in the US, which may mean that we see further volatility before the end of the calendar year. However, we do not believe that excitement over quantitative easing has been the only driver of recent equity market performance. Much of the improved sentiment has come as investors are starting to get confirmation that in the medium term the global economy is likely to see moderate growth with no double-dip recession and that interest rates are likely to remain lower for longer than expected in the developed economies.

We have commented before that we wish to retain exposure to secular, long term growth stories such as environmental technology, biotechnology and information technology within the Managed Growth portfolio and our view here has not changed. In addition shareholders should also expect to see the positioning remain weighted to the higher growth regions of the world. While it is the case that emerging market equity market valuations are at a premium to the developed world, the expected growth rates are also higher. Increasingly as capital markets in the developing world become larger, we expect to make more use of country specialist funds such as our new position in JPMorgan Brazil Investment Trust. Once we have positioned the portfolio towards the regions we favour, we will continue to look for shorter term pockets of opportunity within our universe when we see anomalous discount movements, but most importantly we will retain our focus on high quality managers who can sustain their relative performance.

Jonathan Lowe  
Katy Thorneycroft  
Investment Managers

11th November 2010

# Financial Record

As at 31st August	2000 <sup>1</sup>	2001	2002	2003	2004	2005 <sup>2</sup>	2006	2007	2008	2009	2010
Net asset value per share (p)	349.5	278.9	211.5	221.6	230.2	301.5	362.0	404.2	356.0	332.0	<b>356.3</b>
Share price (p)	357.0	287.0	210.5	215.0	226.0	293.8	353.5	389.5	346.5	321.0	<b>349.0</b>
<b>Year ended 31st August</b>											
Revenue return per share (p)	2.05	4.95	3.78	3.85	3.63	3.82	5.23	5.06	5.65	7.25	<b>5.02</b>
Dividends (p)	1.30	3.50	3.50	3.50	3.50	3.72	5.20	5.25	5.65	7.15	<b>5.05</b>
Premium/(discount) (%)	2.1	2.9	(0.5)	(3.0)	(1.8)	(1.8)	(2.3)	(3.6)	(2.7)	(3.3)	<b>(2.0)</b>
Gearing factor (%)	95.2	97.1	95.2	95.2	95.2	97.2	95.0	97.4	94.9	97.4	<b>98.9</b>
Total expense ratio (%) <sup>3</sup>	n/a	0.45	0.60	0.51	0.52	0.50	0.41	0.44	0.43	0.63	<b>0.49</b>

A glossary of terms and definitions is provided on page 82.

<sup>1</sup>Represents the period from commencement of operations on 24th November 1999 to 31st August 2000.

<sup>2</sup>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. Years prior to 2005 have not been restated.

<sup>3</sup>Management fees and all other operating expenses excluding interest and VAT recoverable, 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).

# Ten Largest Investments

Company	31st August 2010 Valuation		31st August 2009 Valuation	
	£'000	% <sup>1</sup>	£'000	% <sup>2</sup>
JPMorgan Claverhouse Investment Trust plc	16,571	11.0	13,740	9.3
JPMorgan American Investment Trust plc	11,044	7.3	11,634	7.9
JPMorgan UK Dynamic Fund ('A' shares) <sup>3</sup>	10,414	6.9	17,975	12.1
JPMorgan Asian Investment Trust plc <sup>4</sup>	8,702	5.8	8,796	5.9
JPMorgan US Select Equity Fund ('A' shares) <sup>3</sup>	8,250	5.5	9,557	6.5
The Mercantile Investment Trust plc	7,697	5.1	5,255	3.5
JPMorgan Emerging Markets Investment Trust plc <sup>4,5</sup>	6,261	4.2	4,551	3.1
JPMorgan European Investment Trust plc (Growth shares)	5,948	4.0	7,891	5.3
JPMorgan US Fund ('A' shares) <sup>3</sup>	5,810	3.9	5,366	3.6
JPMorgan Smaller Companies Investment Trust plc	5,119	3.4	4,583	3.1
<b>Total*</b>	<b>85,816</b>	<b>57.1</b>		

<sup>1</sup>Based on total assets less current liabilities of £150.4m.

<sup>2</sup>Based on total assets less current liabilities of £148.3m.

<sup>3</sup>Represents holdings in Open Ended Investment Companies and Société d'investissements à Capital Variable ('SICAVs').

<sup>4</sup>Both ordinary shares and subscription shares held.

<sup>5</sup>Not included in the ten largest investments at 31st August 2009.

\*At 31st August 2009, the value of the ten largest investments amounted to £89.8m, representing 60.6% of total assets less current liabilities.

# Geographical Analysis

(on a look through basis)

Region	31st August 2010		31st August 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
UK	41.0	49.9	42.4	50.0
North America	24.2	26.2	24.7	25.7
Asia (excluding Japan)	11.3	3.4	7.6	5.3
Continental Europe	10.5	10.6	12.6	11.5
Emerging Markets and Other	6.4	4.9	4.5	2.3
Japan	4.8	5.0	5.8	5.2
Net Current Assets	1.8	–	2.4	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on total assets less current liabilities of £150.4m (2009: £148.3m).

# List of Investments

at 31st August 2010

	Valuation £'000		Valuation £'000
<b>JPMorgan Managed Investment Trusts</b>		<b>Externally Managed Investment Trusts</b>	
JPMorgan Claverhouse	16,571	Hansa Trust ('A' non-voting shares)	4,615
JPMorgan American	11,044	Blackrock World Mining	3,946
JPMorgan Asian <sup>1</sup>	8,702	RCM Technology <sup>1</sup>	3,565
The Mercantile	7,697	Finsbury Growth & Income	3,079
JPMorgan Emerging Markets <sup>1</sup>	6,261	Fidelity Special Values	2,987
JPMorgan European (Growth shares)	5,948	Alliance Trust	2,643
JPMorgan Smaller Companies	5,119	SVM UK Active	2,624
JPMorgan Japanese	5,032	Biotech Growth	2,499
JPMorgan European Smaller Companies	4,943	Jupiter European Opportunities	2,009
JPMorgan Indian	2,486	Impax Environmental Markets	1,939
JPMorgan US Smaller Companies	2,413	Edinburgh Worldwide	1,903
JPMorgan Income & Capital (Ordinary shares)	2,373	Gartmore Growth Opportunities	1,578
JPMorgan Chinese <sup>1</sup>	1,417	Edinburgh Dragon	1,565
JPMorgan Japan Smaller Companies <sup>1</sup>	1,348	Schroder UK Growth	1,388
JPMorgan Brazil <sup>1</sup>	1,374	Gartmore Irish Growth	1,253
JPMorgan Income & Growth (Capital shares)	544	Artemis Alpha	1,237
JPMorgan Income & Growth (Units)	302	Melchior Japan	865
	<b>83,574</b>	Utilico <sup>1</sup>	707
		Dolphin Capital Investors	322
			<b>40,724</b>
<b>JPMorgan Managed Open Ended Investment Companies</b>		<b>Total Portfolio</b>	
JPMorgan UK Dynamic ('A' shares) <sup>2</sup>	10,414		<b>148,772</b>
JPMorgan US Select Equity ('A' shares) <sup>2,3</sup>	8,250		
JPMorgan US Fund ('A' shares) <sup>2</sup>	5,810		
	<b>24,474</b>		

<sup>1</sup>Both ordinary and subscription shares held.

<sup>2</sup>Unlisted.

<sup>3</sup>Société d'Investissement à Capital Variable ('SICAV').

# Shareholder Analysis

At 31st August 2010

	Number of shares	% Holding
Unit Trusts	381,172	0.9
Pension Funds	381,401	0.9
Other Institutions	3,179,994	7.5
<b>Total Institutions</b>	<b>3,942,567</b>	<b>9.3</b>
Individuals in the Investment Trust Investment Account <sup>1</sup>	21,351,107	50.6
Individuals in the Investment Trust SIPP <sup>1</sup>	598,644	1.4
Private Client Brokers	9,268,545	22.0
Retail investors holding shares directly or through nominee accounts <sup>2</sup>	3,158,382	7.5
Individuals in the Investment Trust Individual Savings Account <sup>1</sup>	3,898,051	9.2
<b>Total Retail Holdings</b>	<b>38,274,729</b>	<b>90.7</b>
<b>Total Shares in issue</b>	<b>42,217,296</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Savings product managed by J.P. Morgan.

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

Source: Thomson Financial.

# Income Statement

(unaudited)

for the year ended 31st August 2010

	2010			2009		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>						
Net foreign currency (losses)/gains	–	11,317	11,317	–	(11,828)	(11,828)
Income from investments	–	(1)	(1)	–	3	3
Other interest receivable and similar income	2,683	–	2,683	3,520	–	3,520
	8	–	8	204	–	204
<b>Gross return/(loss)</b>	<b>2,691</b>	<b>11,316</b>	<b>14,007</b>	3,724	(11,825)	(8,101)
Management fee	(86)	(259)	(345)	(63)	(190)	(253)
VAT recovered	–	–	–	156	469	625
Other administrative expenses	(415)	–	(415)	(573)	–	(573)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>2,190</b>	<b>11,057</b>	<b>13,247</b>	3,244	(11,546)	(8,302)
Taxation (charge)/credit	(19)	–	(19)	23	(78)	(55)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>2,171</b>	<b>11,057</b>	<b>13,228</b>	3,267	(11,624)	(8,357)
<b>Return/(loss) per Managed Growth share</b>	<b>5.02p</b>	<b>25.57p</b>	<b>30.59p</b>	7.25p	(25.79)p	(18.54)p

# Balance Sheet

(unaudited)

At 31st August 2010

	2010 £'000	2009 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	148,772	144,470
<b>Current assets</b>		
Debtors	259	478
Cash and short term deposits	1,549	3,681
	1,808	4,159
<b>Creditors:</b> amounts falling due within one year	(168)	(360)
<b>Net current assets</b>	1,640	3,799
<b>Total assets less current liabilities</b>	150,412	148,269
<b>Provision for liabilities and charges</b>		
Deferred tax	–	(17)
<b>Net assets</b>	150,412	148,252
<b>Net asset value per Managed Growth share</b>	356.3p	332.0p

# Managed Income Share Class Financial Results

Total Returns (includes dividends reinvested)

**+7.6%**

Return to shareholders<sup>1</sup>  
(2009: -13.8%)

**+10.4%**

Return on net assets<sup>2</sup>  
(2009: -14.1%)

**+10.9%**

Benchmark return<sup>3</sup>  
(2009: -6.3%)

**3.3p**

Dividend  
(2009: 4.3p)

## Financial Data

	31st August 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>36,012</b>	36,184	-0.5
Number of shares in issue	<b>49,392,316</b>	51,979,421	-5.0
Net asset value per share	<b>72.9p</b>	69.6p	+4.7
Share price	<b>70.0p</b>	69.5p	+0.7
Share price discount to net asset value	<b>4.0%</b>	0.1%	
Total expense ratio <sup>4</sup>	<b>0.66%</b>	0.92%	

A glossary of terms and definitions is provided on page 82.

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

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

<sup>3</sup>Source: WM (World Markets)/Bloomberg. The benchmark is a composite comprising 85% FTSE All-Share Index and 15% Barclays Capital Global Corporate Bond Index (hedged) in sterling terms. 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.

<sup>4</sup>Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the month end net assets during the year.

# Investment Managers' Report



John Baker



Sarah Emly

## Review

The last twelve months have seen continued equity market volatility, as global macro-economic concerns impacted market sentiment during the period, whilst many corporates staged a recovery in their earnings delivery. Against this backdrop the UK stock market ultimately yielded solid gains for investors, with the FTSE All-Share Index returning +10.7% in the year to 31st August 2010. Share prices rose as the UK economy hauled its way out of recession and company profits rebounded. Corporate debt markets also had a strong twelve months as valuations continued to normalise from the extremes reached during the global financial crisis in late 2008. The Barclays Capital Global Corporate Bond Index (hedged) into sterling returned +12.0%.

The review period opened in the midst of a strong market rally as the UK economy began to recover from its deepest recession since the Second World War. The UK economy eventually came out of recession in the fourth quarter of 2009. During 2010 the recovery strengthened, with GDP growth reaching 1.2% quarter-on-quarter in the second quarter of 2010, which represented the UK economy's strongest quarterly performance in nine years. However, despite the strong headline figures, investors became increasingly nervous about the economic outlook as the review period progressed. The eurozone debt crisis also turned attention to the UK's large budget deficit. Plans to cut the deficit were at the forefront of campaigning ahead of May's general election and once the new coalition government had been formed, Chancellor of the Exchequer George Osborne set out an aggressive plan to cut the public deficit over the course of this parliament.

With fiscal conditions tightening, the Bank of England's Monetary Policy Committee (MPC) kept interest rates on hold at a record low of 0.5% throughout the twelve month period, despite inflation remaining persistently above the 2% target rate. The MPC also put its asset purchase programme on hold, but left open the possibility of more quantitative easing should the economic situation deteriorate.

In corporate news, meanwhile, the period was dominated by an explosion on BP's Deepwater Horizon platform in April 2010, which sent millions of barrels of leaking oil into the Gulf of Mexico. BP's share price dropped sharply amid uncertainty over the costs of the disaster, both in monetary terms and in terms of the damage to the company's reputation. The disaster dealt a severe blow to UK equity income investors, as BP - which was the world's biggest dividend payer in 2009<sup>1</sup> - announced that it would cancel its first quarterly dividend and then suspend its dividend for the rest of calendar year 2010, as it sought to manage the crisis.

This dividend suspension by BP curtailed the earlier forecast of c.10% dividend growth by the UK equity market in 2010, relative to 2009. However, many other UK companies have resumed or increased their dividend payouts this year, as their

<sup>1</sup>Source: SG Research 'The global income investor' 13th September 2010.

profits have bounced back with the economic recovery. With an expected resumption of dividend payments by BP next year, expectations are for strong dividend growth in 2011.

**Performance**

The table below summaries the performance of the Managed Income portfolio over the past five years.

**Total returns to 31st August 2010**

Managed Income	Six months	One year	Two years	Three years	Five years
NAV Return	0.5	10.4	-6.3	-23.3	-1.4
Benchmark <sup>1</sup>	1.4	10.9	4.0	-7.0	12.7
FTSE All-Share Index	0.6	10.7	1.5	-7.3	21.0
Barclays Capital Global Corporate Bond Index (hedged) in sterling terms	6.3	12.0	20.4	24.0	29.9

Source: Bloomberg/J.P. Morgan.

<sup>1</sup>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.

In the twelve months to 31st August 2010 the Managed Income portfolio delivered a return on net assets of +10.4% against the total return of the composite benchmark of +10.9%. Over the first half of the Company's year the FTSE All-Share Index rose 10.1%, and in the second, 0.6%, compared with 9.8% and 0.5% for the portfolio. The Barclays Capital Global Corporate Bond Index rose 12.0% over the year, and 5.3% and 6.3% in the respective half-years.

The portfolio maintained its overweight position in equities and consequent underweight position in bonds relative to its composite benchmark throughout the period under review, which detracted from performance during the second half of the year. In addition, despite having reduced our exposure, investment companies were modestly detrimental to performance over the year.

In terms of the underlying direct UK equity holdings, the overall performance was slightly ahead of the rising market over our financial year, predominantly in the first half. The portfolio benefited from its overweight positions in some of the industrial stocks such as IMI, Weir Group and Senior which rose by 52%, 86% and 104% respectively over the twelve months, as their strong earnings progress was reflected

# Investment Managers' Report continued

in very strong share price performance. The portfolio's holdings in some of the mining stocks also contributed strong returns, with the diversified miner Xstrata rising by 24% and the copper miner, Kazakhmys, rising by 17%. In terms of detractors from performance, our position in the food producers sector was unhelpful, as the high yielding stock we owned (Northern Foods) underperformed the rising market, whilst not owning the more expensive Cadbury, was detrimental when its share price was boosted by a bid from Kraft. Some of our other high yielding stocks also detracted from performance, including the retailer HMV Group and the bus and train company Go-Ahead. However, AstraZeneca the global pharmaceutical stock in which we have a significant position is a high yielding stock that did outperform the rising market and therefore benefited the portfolio during this financial year.

## Portfolio Review

We maintained an overweight position in equities relative to the portfolio's composite benchmark throughout the year and this decision was predicated on the strength of corporate news flow with earnings mostly beating expectations and growth prospects being revised upwards. When selecting stocks we focus on those whose earnings forecasts are being revised upwards, whose valuation is attractive and whose balance sheet strength allows for dividend stability. As such, portfolio construction is determined by bottom-up stock selection.

Since the half year report we have continued to look for low valued, cyclical stocks that stand to benefit from the economic recovery. For instance, we bought speciality chemicals group Elementis. The company was trading at a discount to its peers in the chemical sector despite evidence of successful restructuring. Post our purchase the company went on to report very strong interim results as demand for its products continues to accelerate. We also bought events and news distribution provider United Business Media. Our analysis indicated that the outlook for the company was improving and again, the company posted expectation beating results after our purchase. The stock also has an attractive dividend yield which is well supported by a strong balance sheet.

On the other hand we took profits in Halfords, the high street retailer of automotive parts and bicycles, post lacklustre results in the second quarter of 2010. Similarly, we sold our position in McBride. The laundry and household cleaning company highlighted that it anticipated a tough trading environment and material input cost pressures in the second half of the year. Therefore, the sales and earnings forecasts for the company were revised down. We also reduced our position in BP where the consequences of the oil spill in the Gulf of Mexico were much larger than initially expected and eventually led to the cancellation and suspension of dividends. We reinvested the BP proceeds into some existing and some new stocks with strong dividend attractions, including Vodafone, Aviva and BT.

Over the past year we have continued to reduce the portfolio's exposure to some of the investment companies, lowering the number from nine to five funds. We slightly lowered the size of the Company's holding in the JPMorgan Income & Growth Investment Trust and the JPMorgan European Investment Trust, reinvesting the proceeds into direct UK equities. We remain invested in the two bond funds, JPMorgan Global Corporate Bond Fund and JPMorgan Global High Yield Bond Fund, as a diversified way of enhancing the income yield. At our financial year end, these two bond funds represented 12.2% of the total portfolio's assets.

#### **Outlook**

Although the economic recovery remains on track, recent data does suggest that growth will slow from the above-trend rate seen in the second quarter of 2010. The tailwind from restocking will soon begin to fade, while consumer demand is likely to remain under pressure as tax rises and government spending cuts begin to bite in 2011.

At the same time, austerity measures across Europe and the muted recovery in the US could lead to a weakening in external demand. As a result, the Bank of England will most probably keep interest rates at record lows and we could even see a resumption of quantitative easing if economic conditions deteriorate significantly. However, we do not believe that the economy is heading back into recession, especially considering the recent encouraging economic data and the progress made by many UK companies over the last twelve months.

The current economic uncertainties are likely to lead to further stock market volatility in the short term. However, UK equity valuations are attractive, both on an historic basis and relative to bond yields. We will continue to track the development of corporate earnings and the outlook for dividend growth closely, but believe that market expectations of further earnings and dividend growth in 2011 are realistic. We therefore believe that the current environment remains positive for long-term UK equity investors.

**John Baker**  
**Sarah Emly**  
Investment Managers

11th November 2010

# Financial Record

As at 31st August	2001	2002	2003	2004 <sup>1</sup>	2005 <sup>2</sup>	2006	2007	2008	2009	2010
Net asset value per share (p)	92.3	73.7	77.4	79.1	97.2	108.7	113.8	86.4	69.6	<b>72.9</b>
Share price (p)	96.0	74.5	79.0	77.0	95.0	106.5	109.0	84.5	69.5	<b>70.0</b>
<b>Year ended 31st August</b>										
Revenue return per share (p)	3.21	4.47	4.00	3.31	4.35	4.23	5.12	5.52	3.55	<b>2.68</b>
Dividends (p)	3.19	4.36	4.36	2.85	3.50	3.75	4.12	4.30	4.30	<b>3.30</b>
Special dividends (p)	–	–	–	–	–	–	1.00	1.15	–	–
Premium/(discount) (%)	4.0	1.1	2.1	(2.7)	(2.3)	(2.0)	(4.2)	(2.2)	(0.1)	<b>(4.0)</b>
Gearing factor (%)	100.2	100.4	100.7	99.8	97.8	98.8	97.4	98.9	98.2	<b>98.9</b>
Total expense ratio (%) <sup>3</sup>	0.85	1.17	1.16	0.50	0.71	0.79	0.79	0.74	0.92	<b>0.66</b>

A glossary of terms and definitions is provided on page 82.

<sup>1</sup>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 years ended 31st August 2001 to 2003 are those of JPMorgan Managed Income plc, prior to its liquidation and reconstruction in January 2004.

<sup>2</sup>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.

<sup>3</sup>Management fees and all other operating expenses excluding interest and VAT recoverable, 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).

# Ten Largest Investments

Company	31st August 2010 Valuation		31st August 2009 Valuation	
	£'000	% <sup>1</sup>	£'000	% <sup>2</sup>
JPMorgan Income & Growth Investment Trust plc (Income shares and Capital shares)	3,583	9.9	4,459	12.3
JPMorgan Global Corporate Bond Fund ('A' Distribution Shares)	3,550	9.9	3,182	8.8
Royal Dutch Shell	2,219	6.2	2,203	6.1
HSBC	2,013	5.6	2,583	7.1
Vodafone	1,703	4.7	1,357	3.8
AstraZeneca	1,225	3.4	942	2.6
GlaxoSmithKline	1,186	3.3	1,301	3.6
British American Tobacco	1,096	3.0	1,014	2.8
JPMorgan European Investment Trust plc (Income shares)	1,076	3.0	1,230	3.4
Rio Tinto <sup>3</sup>	1,033	2.9	887	2.5
<b>Total*</b>	<b>18,684</b>	<b>51.9</b>		

<sup>1</sup>Based on total assets less current liabilities of £36.0m.

<sup>2</sup>Based on total assets less current liabilities of £36.2m.

<sup>3</sup>Not included in the ten largest investments at 31st August 2009.

\*At 31st August 2009, the value of the ten largest investments amounted to £20.4m, representing 56.4% of total assets less current liabilities.

# Sector Analysis

	31st August 2010		31st August 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Financials	19.0	17.9	18.6	18.6
Investment Trusts	12.9	2.4	16.8	2.3
Oil & Gas	9.5	13.4	13.5	15.6
Basic Materials	8.6	9.9	7.6	8.5
Industrials	8.0	6.1	4.6	5.8
Healthcare	6.7	6.8	6.2	6.9
Consumer Services	6.6	8.4	5.7	8.3
Telecommunications	6.1	5.4	4.7	5.1
Consumer Goods	5.6	9.8	6.5	9.7
Utilities	3.6	3.4	2.4	3.0
Technology	–	1.5	0.5	1.2
Bond Funds	12.2	15.0	11.1	15.0
Net Current Assets	1.2	–	1.8	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

Based on total assets less current liabilities of £36.0m (2009: £36.2m).

# List of Investments

at 31st August 2010

	Valuation £'000		Valuation £'000
<b>UK Equities</b>			
Royal Dutch Shell	2,219	Stagecoach	188
HSBC	2,013	Severn Trent	194
Vodafone	1,703	BAE Systems	191
AstraZeneca	1,225	Charter International	182
GlaxoSmithKline	1,186	Northern Foods	178
British American Tobacco	1,096	Next	178
Rio Tinto	1,033	Legal & General	173
BP	990	British Land	172
BHP Billiton	868	Provident Financial	165
Standard Chartered	728	Carillion	164
Xstrata	712	Jardine Lloyd Thompson	162
Aviva	608	Hays	162
Barclays	558	Go-Ahead	135
BT	486	Close Brothers	129
National Grid Transco	452	Halfords	127
IMI	445	Balfour Beatty	126
Centrica	387	Melrose	117
Prudential	348	Babcock International	116
Weir	344		<b>26,553</b>
Lloyds	335		
Compass	331	<b>JPMorgan Managed Investment Trusts</b>	
Royal & Sun Alliance Insurance	318	JPMorgan Income & Growth (Income shares)	3,491
Senior	304	JPMorgan European (Income shares)	1,076
Investec	302	JPMorgan Income & Growth (Capital shares)	92
Amlin	299		<b>4,659</b>
Britvic	295		
IG	290	<b>JPMorgan Managed Bond Funds</b>	
Filtrona	269	JPMorgan Global Corporate Bond ('A' Distribution Shares)	3,550
Drax	265	JPMorgan Global High Yield Bond ('A' Income Shares)	838
Kazakhmys	261		<b>4,388</b>
Daily Mail & General Trust	260		
United Business Media	258	<b>Total Portfolio</b>	
Imperial Tobacco	258		<b>35,600</b>
Aberdeen Asset Management	255	<b>Derivative Instruments</b>	
Premier Farnell	243	<b>Options</b>	
Elementis	241	Next 2300 Call Options Sep 2010	–
Restaurant	240	Severn Trent 1150 Put Options Sep 2010	–
Pearson	227	BP 460 Call Options Sep 2010	(1)
Informa	215	National Grid 540 Call Options Sep 2010	(6)
Brown (N.)	214		<b>(7)</b>
Rolls Royce	211	<b>Total Derivative Instruments</b>	
Cairn Energy	202		
Dairy Crest	200	<b>Total Portfolio and Derivatives</b>	
			<b>35,593</b>

# Shareholder Analysis

At 31st August 2010

	Number of shares	% Holding
Unit Trusts	387,843	0.8
Other Institutions	4,865,398	9.9
<b>Total Institutions</b>	<b>5,253,241</b>	<b>10.7</b>
Individuals in the Investment Trust Investment Account <sup>1</sup>	21,062,738	42.6
Private Client Brokers	11,337,210	23.0
Retail investors holding shares directly or through nominee accounts <sup>2</sup>	3,670,199	7.4
Individuals in the Investment Trust Individual Savings Account <sup>1</sup>	8,047,211	16.2
Individuals in the Investment Trust SIPP <sup>1</sup>	21,717	0.1
<b>Total Retail Holdings</b>	<b>44,139,075</b>	<b>89.3</b>
<b>Total Shares in issue</b>	<b>49,392,316</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Savings product managed by J.P. Morgan.

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

Source: Thomson Financial.

# Income Statement

(unaudited)

for the year ended 31st August 2010

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
<b>Gains/(losses) on investments held at fair value through profit or loss</b>						
Net foreign currency losses	–	2,243	2,243	–	(8,778)	(8,778)
Income from investments	–	(4)	(4)	–	(4)	(4)
Other interest receivable and similar income	1,493	–	1,493	2,035	–	2,035
	58	–	58	61	–	61
<b>Gross return/(loss)</b>	<b>1,551</b>	<b>2,239</b>	<b>3,790</b>	2,096	(8,782)	(6,686)
Management fee	(70)	(82)	(152)	(77)	(87)	(164)
VAT recovered	–	–	–	59	59	118
Other administrative expenses	(92)	–	(92)	(156)	–	(156)
<b>Net return/(loss) on ordinary activities before finance costs and taxation</b>	<b>1,389</b>	<b>2,157</b>	<b>3,546</b>	1,922	(8,810)	(6,888)
Taxation (charge)/credit	(15)	–	(15)	(19)	8	(11)
<b>Net return/(loss) on ordinary activities after taxation</b>	<b>1,374</b>	<b>2,157</b>	<b>3,531</b>	1,903	(8,802)	(6,899)
<b>Return/(loss) per Managed Income share</b>	<b>2.68p</b>	<b>4.21p</b>	<b>6.89p</b>	3.55p	(16.41)p	(12.86)p

# Balance Sheet

(unaudited)

At 31st August 2010

	2010 £'000	2009 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	35,600	35,548
<b>Current assets</b>		
Debtors	403	258
Cash and short term deposits	164	1,094
	567	1,352
<b>Creditors:</b> amounts falling due within one year	(155)	(716)
<b>Net current assets</b>	412	636
<b>Total assets less current liabilities</b>	36,012	36,184
<b>Net assets</b>	36,012	36,184
<b>Net asset value per Managed Income share</b>	72.9p	69.6p

# Managed Cash Share Class Financial Results

**0.0%**

Return to shareholders  
(2009: +1.2%)

**+0.4%**

Return on net assets  
(2009: +1.5%)

**Nil**

Dividend  
(2009: 1.70p)

## Financial Data

	31st August 2010	31st August 2009	% change
Shareholders' funds (£'000)	<b>19,882</b>	21,496	-7.5
Number of shares in issue	<b>19,753,573</b>	21,425,261	-7.8
Net asset value per share	<b>100.7p</b>	100.3p	+0.4
Share price	<b>100.0p</b>	100.0p	0.0
Share price discount to net asset value	<b>0.7%</b>	0.3%	
Total expense ratio <sup>1</sup>	<b>0.20%</b>	0.21%	

A glossary of terms and definitions is provided on page 82.

<sup>1</sup>Operating expenses excluding interest, expressed as a percentage of the average of the month end net assets during the year.

# Investment Managers' Report



Jonathan Lowe



Katy Thorneycroft

## Review

The net asset value of the Managed Cash portfolio returned only 0.4% during the year to 31st August 2010. The total return to shareholders was nil.

This has been another difficult year of returns for investors in short term money market instruments. Yields have remained low as the Bank of England's Monetary Policy Committee kept the policy rate unchanged at 0.5% over the course of the year under review. Back in February at the time of the Company's half year report, there was an expectation in markets that the UK would see interest rates rise in the second half of the year. This has not occurred and at the time of writing the Bank Rate has remained at 0.5% since March 2009. This has impacted the returns available to the portfolio managers of AAA-rated money market funds, particularly as higher yielding paper has matured and reinvestment has been at lower yields.

As a reminder to shareholders, our strategy is to invest in AAA-rated stable value money market funds which are members of the Institutional Money Market Funds Association. Capital preservation is the absolute priority for the portfolio, with the yield achieved being a secondary objective. We are currently invested in funds managed by six investment managers: Barclays Global Investors, Fidelity, Insight, JPMorgan, Standard Life and Scottish Widows. We reinvested in the Insight Liquidity Fund during the year and sold our holding in Western Asset Liquidity Fund.

## Outlook

While we have seen some stickiness in headline inflation, inflation expectations have not changed substantially over recent months. In addition, there are enough concerns over a slowing growth outlook within the UK economy that we do not expect there to be a change in the policy rate over the next few months. With this backdrop we expect the returns from the Managed Cash portfolio to remain low.

Jonathan Lowe  
Katy Thorneycroft  
Investment Managers

11th November 2010

# Financial Record

<b>At 31st August</b>	<b>2004<sup>1</sup></b>	<b>2005<sup>2</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Net asset value per share (p)	100.1	101.2	101.1	101.4	101.5	100.3	<b>100.7</b>
Share price (p)	100.0	99.5	99.0	100.0	100.5	100.0	<b>100.0</b>
<b>Year to 31st August</b>							
Revenue return per share (p)	2.08	3.97	3.65	3.98	4.17	1.56	<b>0.22</b>
Dividends (p)	2.00	3.96	3.73	3.93	4.07	1.70	<b>0.00</b>
Discount (%)	0.1	1.7	2.1	1.4	1.0	0.3	<b>0.7</b>
Gearing factor (%)	nil	nil	nil	nil	nil	nil	<b>nil</b>
Total expense ratio (%) <sup>3</sup>	0.10	0.08	0.15	0.12	0.16	0.21	<b>0.20</b>

A glossary of terms and definitions is provided on page 82.

<sup>1</sup>Represents the period from commencement of operations on 14th January 2004 to 31st August 2004.

<sup>2</sup>Restated for 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 has not been restated.

<sup>3</sup>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 2010

Company	Yield % <sup>1</sup>	Rating <sup>2</sup>	31st August 2010 Valuation		31st August 2009 Valuation	
			£'000	% <sup>3</sup>	£'000	% <sup>4</sup>
JPMorgan Sterling Liquidity Fund	0.60	AAA	3,817	19.2	4,155	19.3
Scottish Widows Investment Partnership Liquidity Fund	0.64	AAA	3,812	19.2	4,146	19.3
Standard Life Sterling Liquidity Fund	0.62	AAA	3,418	17.2	3,572	16.6
Insight Sterling Liquidity Fund	0.68	AAA	3,389	17.0	–	–
Fidelity Institutional Sterling Cash Fund	0.58	AAA	3,207	16.1	3,405	15.9
Barclays Global Investors Sterling Liquidity Fund	0.62	AAA	2,254	11.3	2,812	13.1
<b>Total Portfolio</b>			<b>19,897</b>	<b>100.0</b>		

<sup>1</sup>Annual yield to 31st August 2010. Source: IMMFA Money Fund Report, iMoneyNet.

<sup>2</sup>Ratings given by recognised credit agencies.

<sup>3</sup>Based on total assets less current liabilities of £19.9m.

<sup>4</sup>Based on total assets less current liabilities of £21.5m.

# Portfolio Analysis

	31st August 2010 % <sup>1</sup>	31st August 2009 % <sup>1</sup>
Sterling Liquidity Funds and Cash Funds	100.1	100.3
Net Current Liabilities	(0.1)	(0.3)
<b>Total</b>	<b>100.0</b>	100.0

<sup>1</sup>Based on total assets less current liabilities of £19.9m (2009: £21.5m).

## Shareholder Analysis

At 31st August 2010

	Number of shares	% Holding
Other Institutions	1,176,671	6.0
<b>Total Institutions</b>	<b>1,176,671</b>	<b>6.0</b>
Retail investors holding shares directly or through nominee accounts <sup>1</sup>	10,360,094	52.4
Individuals in the Investment Trust Investment Account <sup>2</sup>	4,038,704	20.4
Private Client Brokers	2,993,204	15.2
Individuals in the Investment Trust Individual Savings Account <sup>2</sup>	1,184,900	6.0
<b>Total Retail</b>	<b>18,576,902</b>	<b>94.0</b>
<b>Total Shares in issue</b>	<b>19,753,573</b>	<b>100.0</b>

Nominee accounts have been allocated to their appropriate category.

<sup>1</sup>Includes shares below 10,000 threshold.

<sup>2</sup>Savings product managed by J.P. Morgan.

Source: Thomson Financial.

# Income Statement

(unaudited)

for the year ended 31st August 2010

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
<b>Losses on investments held at fair value through profit or loss</b>	–	(2)	(2)	–	(3)	(3)
Income from investments	104	–	104	530	–	530
<b>Gross return/(loss)</b>	104	(2)	102	530	(3)	527
Other administrative expenses	(43)	–	(43)	(46)	–	(46)
<b>Net return/(loss) on ordinary activities before taxation</b>	61	(2)	59	484	(3)	481
Taxation	(17)	–	(17)	(136)	–	(136)
<b>Net return/(loss) on ordinary activities after taxation</b>	44	(2)	42	348	(3)	345
<b>Return/(loss) per Managed Cash share</b>	0.22p	(0.01)p	0.21p	1.56p	(0.01)p	1.55p

# Balance Sheet

(unaudited)

At 31st August 2010

	2010 £'000	2009 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss	19,897	21,553
<b>Current assets</b>		
Debtors	14	13
Cash and short term deposits	2	–
	16	13
<b>Creditors:</b> amounts falling due within one year	(31)	(70)
<b>Net current liabilities</b>	(15)	(57)
<b>Total assets less current liabilities</b>	19,882	21,496
<b>Net assets</b>	19,882	21,496
<b>Net asset value per Managed Cash share</b>	100.7p	100.3p

# Board of Directors



## **Simon Miller (Chairman)**

A Director since 2004

Chairman of Dunedin Capital Partners Limited. Mr Miller is also Chairman of Artemis Alpha Trust plc and Amati VCT plc and a Non-Executive Director of Dunedin Enterprise Investment Trust plc, Scottish Friendly Assurance and Brewin Dolphin Holdings PLC. Previously Chairman of JPMorgan Fleming Managed Income plc.



## **Nigel Sidebottom (Chairman of the Audit Committee)**

A Director since 1999

Investment Director of Premier Fund Managers Limited. Formerly a Director of BFS Investments plc, stockbrokers Gerrard Vivian Gray Limited and Greig Middleton and Co. Limited. Mr Sidebottom was also formerly a Non-Executive Director of INVESCO Continental Smaller Companies Trust PLC and The Monthly High Income Trust PLC.



## **Angus Macpherson**

A Director since 2008

Deputy Chief Executive of Execution Noble Limited, the specialist small and mid-cap investment banking firm. Mr Macpherson graduated in history from Cambridge University and subsequently worked for Lazard Brothers Inc., Smith New Court Limited and Merrill Lynch. During his career he has worked in London, New York, Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch in Asia. He joined Noble Group Limited (which merged with Execution Noble Limited) in 2006.



## **Robert Ottley**

A Director since 2004

After a career as a private client stockbroker specialising in the selection of investment trusts and other collective investment schemes, first with W Greenwell, then James Capel, and HSBC Investment Management, Mr Ottley has latterly been a non-executive director of a variety of investment companies, most recently Atlantis Asian Recovery Trust plc and, as chairman, The Zero Preference Growth Trust plc. His former directorships also include JPMorgan Fleming Managed Income plc.



## **Roger Yates**

A Director since 2009

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 and F&C Asset Management plc. He has 28 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.

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

# Directors' Report

The Directors present their report for the year ended 31st August 2010.

## Business Review

### Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 (replaced on 1st April 2010 by Section 1158 of the Corporation Tax Act 2010) for the year ended 31st August 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 1158 of the Corporation Tax Act 2010 each year.

Approval for the year ended 31st August 2009 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 3, and in the Investment Managers' Reports on pages 5 to 7, 16 to 19 and 28.

### Managed Growth

#### Objective

The objective of the Managed Growth portfolio is to achieve long term capital growth from investments in closed and open-ended funds managed principally by JPMAM.

#### 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 Limits and Restrictions

- 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.
- The Board does not intend to utilise borrowings to increase the funds available for investment, the portfolio is to remain invested between 70-105%. 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 Limits and Restrictions

- 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 not normally invest in unlisted securities.

# Directors' Report continued

- 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.
- 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.

## 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 government securities/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 2 years) UK government securities/G7 government securities hedged into sterling. All liquidity funds or government securities shall have a AAA credit rating (as measured by Standard & Poors) or equivalent rating from a recognised credit rating agency.

### Investment Limits and Restrictions

- 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.

## Performance

### Managed Growth:

In the year to 31st August 2010, the Managed Growth portfolio produced a total return to shareholders of +10.6% and a total return on net assets of +9.4%. This compares with the return on the composite benchmark of +9.7%.

As at 31st August 2010, the value of the Managed Growth investment portfolio was £148.8 million. The Investment Managers' Report on pages 5 to 7 includes a review of developments during the year as well as information on investment activity within the portfolio.

### Managed Income:

In the year to 31st August 2010, the Managed Income portfolio produced a total return to shareholders of +7.6% and a total return on net assets of +10.4%. This compares with the return on the composite benchmark of +10.9%. As at 31st August 2010, the value of the Managed Income investment portfolio was £35.6 million. The Investment Managers' Report on pages 16 to 19 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 2010, the Managed Cash portfolio produced a total return to shareholders of 0.0% and a total return on net assets of +0.4%. There is no benchmark index for this share class. As at 31st August 2010, the value of the investment portfolio was £19.9 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 total return for the year amounted to £17.9 million (2009: loss of £14.3 million) and net total return after deducting the management fee, other administrative expenses and taxation amounted to £16.8 million (2009: loss of £14.9 million).

### Managed Growth:

Net revenue return for the year available for distribution by way of dividend amounted to £2,171,000 (2009: £3,267,000). Total dividends paid and proposed in respect of the year are 5.05p per share (2009: 7.15p per share), costing £2,172,000

(2009: £3,208,000). The Directors have declared a fourth interim dividend of 0.75p (2009: 1.55p) payable on 21st December 2010 to shareholders on the register at the close of business on 26th November 2010, costing £317,000 (2009: £692,000). The balance on the revenue reserve at the year end was £1,130,000 (2009: £1,497,000) and after allowing for the 4th interim dividend was £813,000 (2009: £805,000).

**Managed Income:**

Net revenue return for the year available for distribution by way of dividend amounted to £1,374,000 (2009: £1,903,000). Total dividends paid and proposed in respect of the year were 3.30p per share (2009: 4.30p per share), costing £1,680,000 (2009: £2,291,000). The balance on the revenue reserve at the year end was £693,000 (2009: £1,258,000) and after allowing for the fourth quarterly dividend was £198,000 (2009: £504,000).

**Managed Cash:**

Net revenue return for the year available for distribution by way of dividend amounted to £44,000 (2009: £348,000). No dividends were paid or proposed in respect of the year (2009: 1.70p, costing £387,000) The balance on the revenue reserve at the year end was £65,000 (2009: £21,000).

Full details of the dividends paid and proposed on the Managed Growth and Managed Income share classes during the year are given in note 7 on pages 63 and 64.

**Key Performance Indicators ('KPIs')**

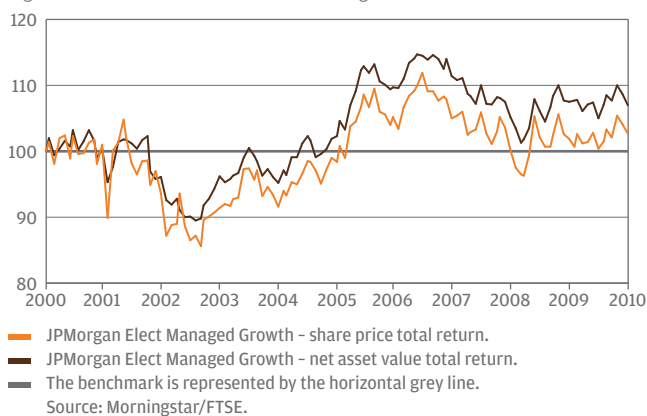
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

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

*Managed Growth:*

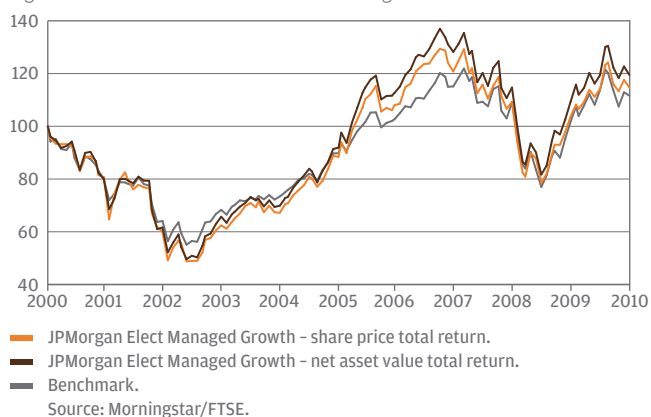
**Performance Relative to Benchmark Index**

Figures have been rebased to 100 at 31st August 2000



**Ten Year Performance**

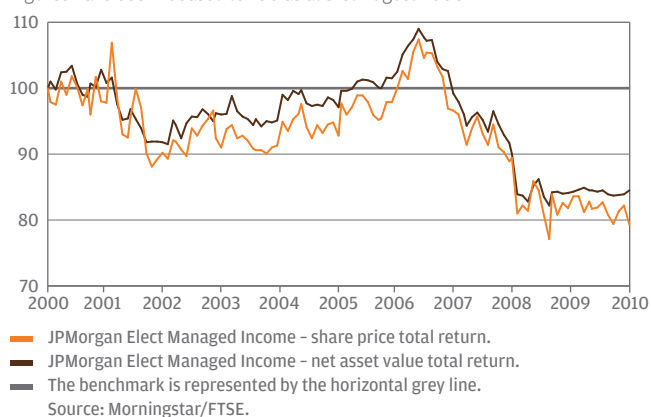
Figures have been rebased to 100 as at 31st August 2000



*Managed Income:*

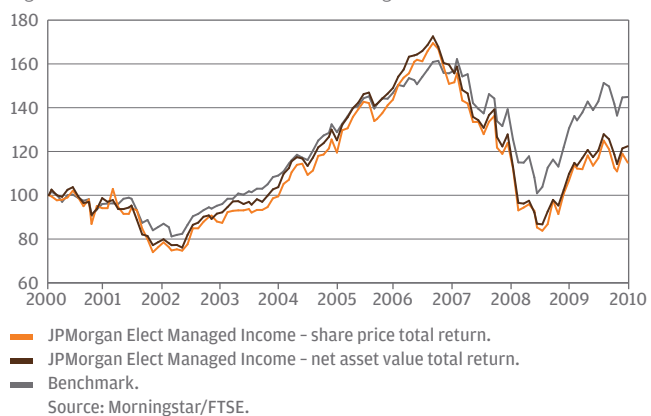
**Performance Relative to Benchmark Index**

Figures have been rebased to 100 as at 31st August 2000



**Performance Since Launch**

Figures have been rebased to 100 as at 31st August 2000



# Directors' Report continued

## 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**

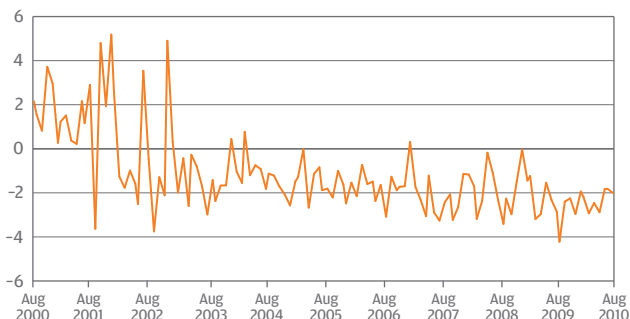
The purpose of performance attribution analysis is to assess how each share class achieved its performance relative to its benchmark index, i.e. to understand the impact on the Managed Growth and Managed Income portfolios' relative performance of the various components, such as asset allocation and stock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

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

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 at which the Company's shares trade.

## Managed Growth:

### Discount Performance

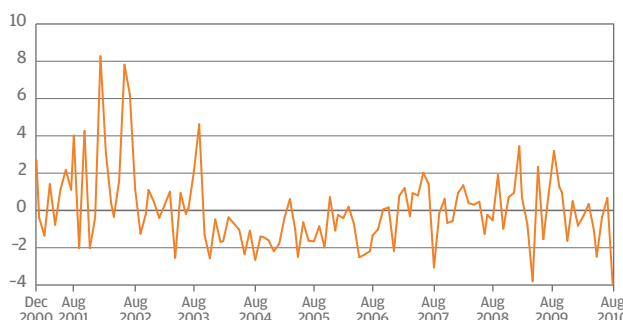


— JPMorgan Managed Growth - premium/(discount).  
Source: Morningstar.

In the year to 31st August 2010, the Managed Growth shares traded between a discount of 1.8% and 4.2%.

## Managed Income:

### Discount Performance

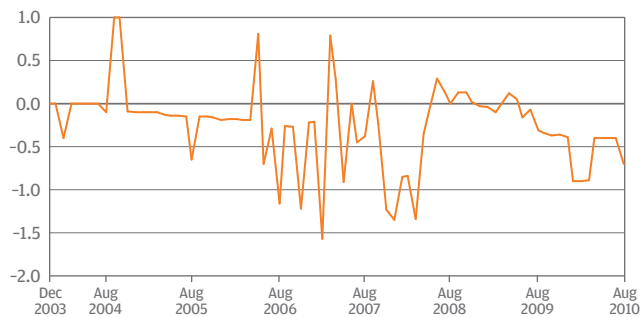


— JPMorgan Managed Income - premium/(discount).  
Source: Morningstar.

In the year to 31st August 2010, the Managed Income shares traded between a premium of 3.2% and a discount of 4.0%.

## Managed Cash:

### Discount Performance



— JPMorgan Managed Cash - premium/(discount).  
Source: Morningstar.

In the year to 31st August 2010, the Managed Cash shares traded between a discount of 0.3% and 0.9%.

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

The TER represents the Company's management fees and all other operating expenses, excluding VAT recoverable, expressed as a percentage of the average of the month end net assets during the year. The Managed Growth TER for the year ended 31st August 2010 was 0.49% (2009: 0.63%), the Managed Income TER was 0.66% (2009: 0.92%) and the Managed Cash TER was 0.20% (2009: 0.21%). The Board reviews each year an analysis which shows a comparison of

the Managed Growth and Managed Income TERs 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.

- **Share issues**

During the year 70,000 Managed Growth and 250,000 Managed Cash shares were issued at a premium to the net asset value per share.

Since the year end and as at the date of this report, the Company has not issued any further shares.

- **Share repurchases**

The Company repurchased 2,698,341 Managed Growth shares for cancellation during the year, representing 6.0% of the shares in issue at the beginning of the year, for a total consideration of £9,469,000. Since the year end, a further 298,598 Managed Growth have been purchased for cancellation, for a total consideration of £1,145,603.

The Company repurchased 2,360,993 Managed Income shares for cancellation during the year, representing 4.5% of the shares in issue at the beginning of the year, for a total consideration of £1,640,000. Since the year end a further 144,175 Managed Income shares have been repurchased for cancellation, for a total consideration of £110,308.

The Company repurchased 673,900 Managed Cash shares for cancellation during the year, representing 3.2% of the shares in issue at the beginning of the year, for a total consideration of £669,000. Since the year end, a further 250,000 Managed Cash shares have been repurchased for cancellation for a total consideration of £247,871.

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

- **Conversions**

The Company's capital structure now allows shareholders the opportunity, four times each year, to convert part or all of their share holdings 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 page 83.

During the year three conversions took place on 30th November 2009, 31st May 2010 and 31st August 2010. The net result of these conversions was an increase in the Managed Growth share capital of 195,503 shares and a reduction in the Managed Income and Managed Cash share capital of 226,112 and 567,679 shares respectively. The holders of 680,109 Managed Cash shares elected to have those holdings repurchased by the Company in these conversion opportunities for a total consideration of £680,000.

### Principal Risks

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

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing may lead to under-performance against the relevant benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board tries to limit 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 review 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

# Directors' Report continued

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 Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval status 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 are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules 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.
- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 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 Internal Control section of the Corporate Governance report 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 20 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. 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.

## Management of the Company

The Manager and Company Secretary is JPMorgan Asset Management (UK) Limited ('JPMAM'). 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, marketing, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board 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.

## 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.

- Managed Income assets: There is no management fee 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.
- Managed Cash assets: no management fee charged.

### Going Concern

The Directors believe that having considered the Company's investment objectives (see pages 35 and 36); risk management policies (see pages 73 to 78); liquidity risk (see note 20(b) on page 77); capital management policies and procedures (see page 78); the nature of the portfolios and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

### Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by those terms. As at 31st August 2010, the Company had no outstanding trade creditors (2009: 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:

Directors	31st August 2010		
	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Simon Miller	5,524	23,603	–
Angus Macpherson	5,568	–	–
Robert Ottley	31,203	36,011	–
Nigel Sidebottom	9,379	13,500	–
Roger Yates	–	–	–

Since the year end, Mr Ottley's beneficial holding has increased by 420 Managed Income shares.

Directors	1st September 2009		
	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Simon Miller	5,524	23,603	–
Angus Macpherson	5,568	–	–
Robert Ottley	30,877	34,457	–
Nigel Sidebottom	6,679	–	–
Roger Yates	–	–	–

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 re-election shall retire from office by rotation. Accordingly Simon Miller and Robert Ottley will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In accordance with Article 92 of the Company's Articles of Association, any Director who has served for more than nine years has to stand for annual re-election. Mr Sidebottom was appointed to the Board in 1999, and is therefore required to stand for annual re-election.

The Nomination Committee, having considered the qualifications, performance and contribution to the Board and its Committees, confirms that Messrs Miller, Ottley and Sidebottom continue to be effective and demonstrate commitment to the role. Notwithstanding the fact that Mr Sidebottom has served on the Board for more than nine years, his fellow Directors believe that he remains independent in character and judgement, and accordingly the Board recommends to shareholders that all three Directors be re-elected.

### Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have 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 executed on 1st July 2010 and are currently in force.

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

# Directors' Report continued

## Disclosure of information to Auditors

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

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

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

## 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 15 to the Notice of AGM on page 81 and below.

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

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

Shareholders/Class	Shares held	Voting rights	% Total voting rights
Chase Nominees <sup>1,2</sup>			
Growth	15,616,288	51,846,076	8.0
Income	28,144,129	19,700,890	14.5
Cash	5,754,741	5,754,741	3.0
	<b>49,515,158</b>	<b>77,301,707</b>	<b>25.5</b>

<sup>1</sup>Held on behalf of JPMAM ISA and Share Plan participants.

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

The percentage of total voting rights is calculated by reference to the share voting numbers which, as at 31st August 2010 were as follows:

Managed Growth Shares:	3.32
Managed Income Shares:	0.70
Managed Cash Shares:	1.00

The rules concerning the appointment 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 which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

## Independent Auditors

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

## 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 pre-emption rights (resolutions 7 and 8)**

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 7 and 8 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, for cash up to an aggregate nominal amount of approximately £626 representing 4,199,869 Managed Growth shares, 4,924,814 Managed Income shares and 1,950,357 Managed Cash shares, such amounts being approximately equivalent to 10% of the present issued share capital of each share class.

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 to investors. As such issues would only be made at prices greater than net asset value, they would increase the assets underlying each share and spread the 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. 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 9)**

At the Annual General Meeting of the Company held on 9th December 2010 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. The Board will seek shareholder approval at the AGM to renew this authority, which will last until 15th June 2012 or until the whole of the 14.99% has been acquired, whichever is the earlier. The full text of the resolution is set out in the Notice of Meeting on pages 79 and 80. 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 10)**

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 UK 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 7 to 10 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 124,788 shares representing approximately 0.1% of the voting rights of the Company.

## Corporate Governance

### 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 2008 Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance, (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the Combined Code 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.

### Role of the Board

Management agreements between the Company and JPMAM set out the matters over which the Manager has authority. This

# Directors' Report continued

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 Simon Miller, 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, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 34.

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 comprises entirely of non-executive directors, this is unnecessary.

## Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a term of three years. 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 re-election but when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its committees. The Company's Articles of Association require that Directors stand for re-election at least every three years. Any Director who has served for a period of more than nine years will stand for annual re-election thereafter.

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

The Board recommends the re-election of Nigel Sidebottom, who requires annual re-election as he has served as a Director for a period in excess of nine years and the re-election of Mr Miller and Mr Ottley, who retire by rotation in compliance with the Company's Articles of Association. Before recommending Messrs Sidebottom, Miller and Ottley for re-election, the Nomination Committee conducted a thorough review of their performance and contribution and was satisfied that they fulfilled their role in an effective manner. Furthermore, the Nomination Committee was satisfied that Mr Sidebottom remained independent, notwithstanding his length of service.

## 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.

Directors	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Simon Miller	5	2	1
Angus Macpherson	5	2	1
Robert Ottley	5	2	1
Nigel Sidebottom	5	2	1
Roger Yates	5	2	1

### Training and Appraisal

On appointment the Manager provides all Directors with induction training. Thereafter, regular briefings are provided on changes in 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 trusts.

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 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. The Chairman of the Audit Committee leads the evaluation of the Chairman.

### Board Committees

#### Nomination Committee

The Nomination Committee, chaired by Simon Miller, consists of all of the Directors and meets at least annually to ensure that

the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary.

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

On an annual basis each Director submits a list of potential conflicts of interest for approval. These are considered carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved for a period of one year. This year and in future years, this function was completed by the Nomination Committee. 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.

#### Audit Committee

The Audit Committee, chaired by Nigel Sidebottom, 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 Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors. Representatives of the Company's 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 are satisfied that the auditor are independent. The Board reviews and approves any non-audit services provided by the independent auditors and assesses the impact of any non-audit work on the ability of the

# Directors' Report continued

auditor to remain independent. 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 internal control is set out on pages 46 to 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 each year by way of the annual report and accounts, the half year financial report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value 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 shareholders' 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 85. The Chairman can also be contacted via the Company's website by following the 'Ask the Chairman' link at [www.jpmelect.co.uk](http://www.jpmelect.co.uk).

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 85.

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

## Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM which reports any material failings or weaknesses.

The key elements designed to provide effective internal control are as follows:

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

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

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

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company’s system of internal control for the year ended 31st August 2010 and to the date of approval of this Annual Report and Accounts.

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

### Corporate Governance and Voting Policy

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

#### Corporate Governance

JPMAM believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect

and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

#### Proxy Voting

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

#### Stewardship/Engagement

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

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

JPMAM endorses 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.

# Directors' Report continued

## **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. This analysis is then used to identify outliers which require further engagement.

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. J.P.Morgan 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.jpmorganassetmanagement.co.uk/Institutional/CommentaryAndAnalysis/CorporateGovernance>, 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  
Alison Vincent, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
11th November 2010

# Directors' Remuneration Report

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

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

## Directors' Remuneration<sup>1</sup>

Directors' Name	2010 £	2009 £
Simon Miller	30,000	30,000
Angus Macpherson	20,000	20,000
Nigel Sidebottom	22,000	22,000
Robert Ottley	20,000	20,000
Roger Yates <sup>2</sup>	20,000	1,667
<b>Total</b>	<b>112,000</b>	<b>93,667</b>

<sup>1</sup>Audited information.

<sup>2</sup>Appointed as a Director on 1st August 2009.

The total Directors' fees of £112,000 (2009: £93,667) comprises £92,000 (2009: £51,667) in respect of aggregate emoluments paid to Directors and £20,000 paid to third parties for making available the services of one Director (2009: £42,000, two Directors).

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. Directors have not increased fees since 1st July 2006.

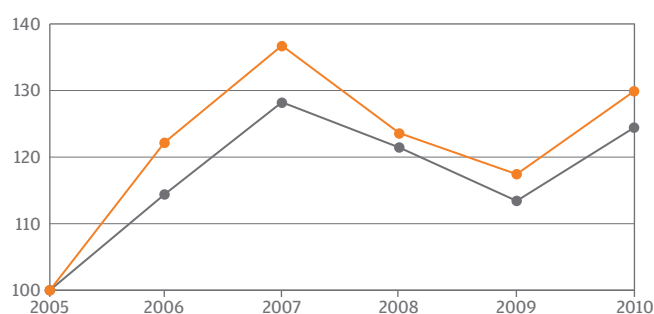
The terms and conditions of Directors' appointments are set out in formal letters of appointment. Details of the Board's policy on tenure are set out on page 44.

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 2010



Source: Morningstar.

— Share price total return.  
— Benchmark total return.

# Directors' Remuneration Report continued

## Managed Income:

### Five Year Share Price and Benchmark Total Return to 31st August 2010



— Share price total return.

— Benchmark total return.

Source: Morningstar.

On 31st August 2010, the Managed Income Share price discount to net asset value per share widened to 4.0%. Throughout the year to 31st August 2010, the average discount was 0.9%.

## Managed Cash:

The price of the Managed Cash shares traded in the range of 99.5p to 100.5p in the five year period ended 31st August 2010.

By order of the Board

Alison Vincent, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary  
11th November 2010

# Directors' Responsibilities in Respect of the Accounts

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

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

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

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 Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Statement under the Disclosure & Transparency Rules 4.1.12

- (a) the accounts, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) this Annual 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 they face.

For and on behalf of the Board  
Simon Miller  
Chairman

11th November 2010

# Independent Auditor's Report

## Independent Auditors' Report to the members of JPMorgan Elect plc.

We have audited the financial statements of JPMorgan Elect plc for the year ended 31st August 2010 which comprise the Income Statement, Reconciliation of Movements in Shareholders Funds, Balance Sheet, Cash Flow Statement, and the related notes 1 to 21. 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 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.

## 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 2010 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 in page 41, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Caroline Gulliver (Senior statutory auditor)

for and on behalf of  
Ernst & Young LLP, Statutory Auditor  
London  
11th November 2010

# Income Statement

for the year ended 31st August 2010

	Notes	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	2	–	13,558	13,558	–	(20,609)	(20,609)
Net foreign currency losses		–	(5)	(5)	–	(1)	(1)
Income from investments	3	4,280	–	4,280	6,085	–	6,085
Other interest receivable and similar income	3	66	–	66	265	–	265
<b>Gross return/(loss)</b>		<b>4,346</b>	<b>13,553</b>	<b>17,899</b>	6,350	(20,610)	(14,260)
Management fee	4	(156)	(341)	(497)	(140)	(277)	(417)
VAT recoverable	4	–	–	–	215	528	743
Other administrative expenses	5	(550)	–	(550)	(775)	–	(775)
<b>Net return/(loss) on ordinary activities before taxation</b>		<b>3,640</b>	<b>13,212</b>	<b>16,852</b>	5,650	(20,359)	(14,709)
Taxation	6	(51)	–	(51)	(132)	(70)	(202)
<b>Net return/(loss) on ordinary activities after taxation</b>		<b>3,589</b>	<b>13,212</b>	<b>16,801</b>	5,518	(20,429)	(14,911)
<b>Return/(loss) per share:</b>	8						
Managed Growth		5.02p	25.57p	30.59p	7.25p	(25.79)p	(18.54)p
Managed Income		2.68p	4.21p	6.89p	3.55p	(16.41)p	(12.86)p
Managed Cash		0.22p	(0.01)p	0.21p	1.56p	(0.01)p	1.55p

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.

# Reconciliation of Movements in Shareholders' Funds

for the year ended 31st August 2010

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
<b>At 31st August 2008</b>	24	60,858	142,375	26,358	3,251	<b>232,866</b>
Repurchase and cancellation of the Company's own shares	–	–	(7,843)	–	–	<b>(7,843)</b>
Shares issued	–	1,813	–	–	–	<b>1,813</b>
Share conversions during the year	–	2,232	(2,232)	–	–	<b>–</b>
Net (loss)/return on ordinary activities	–	–	–	(20,429)	5,518	<b>(14,911)</b>
Dividends appropriated in the year	–	–	–	–	(5,993)	<b>(5,993)</b>
<b>At 31st August 2009</b>	24	64,903	132,300	5,929	2,776	<b>205,932</b>
Repurchase and cancellation of the Company's own shares	–	–	(12,458)	–	–	<b>(12,458)</b>
Shares issued	–	508	–	–	–	<b>508</b>
Share conversions during the year	–	2,833	(2,833)	–	–	<b>–</b>
Net return on ordinary activities	–	–	–	13,212	3,589	<b>16,801</b>
Dividends appropriated in the year	–	–	–	–	(4,477)	<b>(4,477)</b>
<b>At 31st August 2010</b>	24	68,244	117,009	19,141	1,888	<b>206,306</b>

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

# Balance Sheet

at 31st August 2010

	Notes	2010				2009
		Growth (unaudited) £'000	Income (unaudited) £'000	Cash (unaudited) £'000	Total £'000	Total £'000
<b>Fixed assets</b>						
Investments held at fair value through profit or loss	9	148,772	35,600	19,897	204,269	201,571
<b>Current assets</b>	10					
Debtors		259	403	14	676	749
Cash and short term deposits		1,549	164	2	1,715	4,775
<b>Creditors: amounts falling due within one year</b>	11	1,808 (168)	567 (155)	16 (31)	2,391 (354)	5,524 (1,146)
<b>Net current assets/(liabilities)</b>		1,640	412	(15)	2,037	4,378
<b>Total assets less current liabilities</b>		150,412	36,012	19,882	206,306	205,949
<b>Provision for liabilities and charges</b>						
Deferred taxation	6(c)	–	–	–	–	(17)
<b>Total net assets</b>		150,412	36,012	19,882	206,306	205,932
<b>Capital and reserves</b>						
Called up share capital	12	18	4	2	24	24
Share premium	13	22,933	28,906	16,405	68,244	64,903
Other reserve	13	101,503	12,086	3,420	117,009	132,300
Capital reserves	13	24,828	(5,677)	(10)	19,141	5,929
Revenue reserve	13	1,130	693	65	1,888	2,776
<b>Shareholders' funds</b>		150,412	36,012	19,882	206,306	205,932

	Notes	31st August 2010		31st August 2009	
		Net asset value per share (pence)	Net assets attributable £'000	Net asset value per share (pence)	Net assets attributable £'000
Managed Growth	14	356.3	150,412	332.0	148,252
Managed Income	14	72.9	36,012	69.6	36,184
Managed Cash	14	100.7	19,882	100.3	21,496

The accounts on pages 53 to 78 were approved and authorised for issue by the Directors on 11th November 2010 and are signed on their behalf by:

Robert Ottley  
Director

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

Company registration number: 3845060.

# Cash Flow Statement

for the year ended 31st August 2010

	Notes	2010 £'000	2009 £'000
<b>Net cash inflow from operating activities</b>	15	<b>3,316</b>	6,032
<b>Taxation paid</b>		<b>(30)</b>	(316)
<b>Capital expenditure and financial investment</b>			
Purchases of investments		<b>(31,141)</b>	(56,981)
Sales of investments		<b>42,000</b>	60,283
Equalisation received from holdings in unit trusts		<b>13</b>	–
Option transactions		<b>1</b>	(2)
Other capital charges		<b>(15)</b>	(13)
<b>Net cash inflow from capital expenditure and financial investment</b>		<b>10,858</b>	3,287
Dividends paid		<b>(4,477)</b>	(5,993)
<b>Net cash inflow before financing</b>		<b>9,667</b>	3,010
<b>Financing</b>			
Increase in overdraft		–	28
Issue of shares		<b>508</b>	1,813
Repurchase and cancellation of the Company's own shares		<b>(13,198)</b>	(7,479)
<b>Net cash outflow from financing</b>		<b>(12,690)</b>	(5,638)
<b>Decrease in cash for the year</b>	16	<b>(3,023)</b>	(2,628)

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

# Notes to the Accounts

for the year ended 31st August 2010

## 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, 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. There has been an amendment to FRS 29 in respect of fair value disclosures and the details of this are given in note 19 on page 72.

### (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, transaction costs, charged to capital, and other capital receipts and payments are included in the Income Statement and are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end are 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) 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.

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.

# Notes to the Accounts continued

## 1. Accounting policies continued

### (d) 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. 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.

### (e) 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 nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

In accordance with FRS 26: 'Financial instruments: Measurement', written options are classified as assets or liabilities held at fair value through profit or loss and are included in current assets or current liabilities.

### (f) 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 substantially 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.

Investment trusts which have approval under the appropriate tax regulations are not liable for taxation on capital gains.

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

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

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.

**(g) Functional currency**

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' 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'.

**(h) Dividends**

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

**(i) VAT**

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

VAT recovered on management fees paid by the Growth and Income pools of assets, is allocated between revenue and capital in the Growth and Income pools in the same proportion as it was originally expensed to revenue and capital.

**(j) Share capital transactions**

Share capital transactions resulting from conversions are accounted for on the first working day following the biannual 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.

The consideration paid for shares repurchased for cancellation, and the consideration paid for Managed Cash shares redeemed, is charged to 'Other reserve'.

	2010 £'000	2009 £'000
<b>2. Gains/(losses) on investments held at fair value through profit or loss</b>		
Realised gains/(losses) on sales of investments held at fair value through profit or loss based on historical cost	4,500	(14,745)
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(2,390)	2,037
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	2,110	(12,708)
Net movement in investment holding gains and losses	11,439	(7,865)
Unrealised gains/(losses) on options	20	(27)
Other capital charges	(11)	(9)
Total capital gains/(losses) on investments held at fair value through profit or loss	13,558	(20,609)

# Notes to the Accounts continued

	Managed Growth 2010 (unaudited) £'000	Managed Income 2010 (unaudited) £'000	Managed Cash 2010 (unaudited) £'000	Total 2010 £'000	Total 2009 £'000
<b>3. Income</b>					
<b>Income from investments</b>					
UK dividend income	2,345	1,326	–	3,671	5,257
UK unfranked investment income	6	–	–	6	140
Income from OEICs	–	104	–	104	3
Overseas dividends <sup>1</sup>	78	38	104	220	658
Property income distribution from UK REITs	–	–	–	–	3
Scrip dividends	254	25	–	279	24
	<b>2,683</b>	<b>1,493</b>	<b>104</b>	<b>4,280</b>	<b>6,085</b>
<b>Other interest receivable and similar income</b>					
Deposit interest	8	2	–	10	138
Interest on VAT recovered <sup>2</sup>	–	–	–	–	95
Underwriting commission	–	2	–	2	8
Option income	–	54	–	54	24
	<b>8</b>	<b>58</b>	<b>–</b>	<b>66</b>	<b>265</b>
<b>Total income</b>	<b>2,691</b>	<b>1,551</b>	<b>104</b>	<b>4,346</b>	<b>6,350</b>

<sup>1</sup>The overseas dividends represent distributions from liquidity funds, one of which is domiciled in Luxembourg and the others in Ireland.

<sup>2</sup>This represents interest on VAT recovered relating to management fees paid in the past, following HM Revenue & Customs' acceptance in 2007 that VAT was not chargeable on investment trust management fees.

	Managed Growth 2010 (unaudited) £'000	Managed Income 2010 (unaudited) £'000	Managed Cash 2010 (unaudited) £'000	Total 2010 £'000	Total 2009 £'000
<b>4. Management fee</b>					
<b>Charged to revenue:</b>					
Management fee <sup>1</sup>	86	70	–	156	140
VAT recoverable <sup>2</sup>	–	–	–	–	(215)
<b>Total charged to revenue</b>	<b>86</b>	<b>70</b>	<b>–</b>	<b>156</b>	<b>(75)</b>
<b>Charged to capital:</b>					
Management fee <sup>1</sup>	259	82	–	341	277
VAT recoverable <sup>2</sup>	–	–	–	–	(528)
<b>Total charged to capital</b>	<b>259</b>	<b>82</b>	<b>–</b>	<b>341</b>	<b>(251)</b>
	<b>345</b>	<b>152</b>	<b>–</b>	<b>497</b>	<b>(326)</b>

<sup>1</sup>Details of the management fees of each share class are given in the Directors' Report on pages 40 and 41.

<sup>2</sup>This represents VAT relating to management fees paid in the past, following HM Revenue & Customs' acceptance in 2007 that VAT was not chargeable on investment trust management fees.

	Managed Growth 2010 (unaudited) £'000	Managed Income 2010 (unaudited) £'000	Managed Cash 2010 (unaudited) £'000	Total 2010 £'000	Total 2009 £'000
<b>5. Other administrative expenses</b>					
Other administration expenses <sup>1</sup>	213	50	28	291	495
Directors' fees <sup>2</sup>	81	20	11	112	94
Savings scheme costs <sup>3</sup>	100	16	2	118	159
Auditors' remuneration for audit services <sup>4</sup>	19	5	2	26	24
Auditors' remuneration for other services	2	1	–	3	3
Total charged to revenue	415	92	43	550	775

<sup>1</sup>The comparative figure includes costs incurred to establish a new share class, the launch of which was cancelled due to adverse market conditions.

<sup>2</sup>Full disclosure is given in the Directors' Remuneration Report on pages 49 and 50.

<sup>3</sup>These costs were paid to JPMAM for the marketing and administration of 'Wrapper' products.

<sup>4</sup>Includes £4,000 (2009: £4,000) of irrecoverable VAT.

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

## 6. Taxation

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

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
UK corporation tax at 28% (2009: 28%)	–	–	–	169	–	169
Prior year adjustment	57	–	57	12	–	12
Income tax	10	–	10	4	–	4
Overseas withholding tax	1	–	1	–	–	–
Tax attributable to expenses charged to capital	–	–	–	(70)	70	–
Current tax charge for the year	68	–	68	115	70	185
Deferred taxation	(17)	–	(17)	17	–	17
	51	–	51	132	70	202

# Notes to the Accounts continued

## 6. Taxation continued

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

The tax assessed for the year is lower (2009: lower) than the applicable rate of corporation tax in the year of 28% (2009: 28%). The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Net return/(loss) on ordinary activities before taxation	3,640	13,212	16,852	5,650	(20,359)	(14,709)
Net return/(loss) on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 28% (2009: 28%)	1,019	3,700	4,719	1,582	(5,701)	(4,119)
Effects of:						
Non taxable capital (gains)/losses	–	(3,796)	(3,796)	–	5,771	5,771
Tax relief on capitalised expenses	(96)	96	–	(70)	70	–
Non taxable UK dividends	(1,027)	–	(1,027)	(1,472)	–	(1,472)
Non taxable overseas dividends	(33)	–	(33)	–	–	–
Unrelieved expenses	198	–	198	–	–	–
Overseas withholding tax	1	–	1	–	–	–
Non taxable scrip dividends	(78)	–	(78)	(7)	–	(7)
Income taxed in different periods	17	–	17	(4)	–	(4)
Prior year adjustment	57	–	57	12	–	12
Income tax	10	–	10	4	–	4
Tax attributable to expenses charged to capital	–	–	–	70	(70)	–
Current tax charge for the year	68	–	68	115	70	185

### (c) Deferred taxation

The movement on the deferred taxation account is in respect of timing differences which have reversed during the year.

	2010 £'000	2009 £'000
Opening balance	17	–
(Credited)/charged to revenue return	(17)	17
Closing balance	–	17

The Company has an unrecognised deferred tax asset of £191,000 (2009: £nil) based on a prospective corporation tax rate of 27%. The Finance Act 2010 which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1st April 2011, was substantially enacted on 21st July 2010. The deferred tax asset has arisen because deductible expenses have exceeded taxable income over the year. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. A deferred tax asset has not been recognised in the accounts as it is not likely that this asset will be utilised in the foreseeable future.

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

## 7. Dividends

### (a) Dividends paid

	2010 £'000	2009 £'000
Managed Growth shares 2009 4th interim dividend of 1.55p (2008: 1.17p)	683	529
Managed Growth shares 1st interim dividend of 1.60p (2009: 1.87p)	705	845
Managed Growth shares 2nd interim dividend of 1.10p (2009: 2.00p)	468	896
Managed Growth shares 3rd interim dividend of 1.60p (2009: 1.73p)	682	775
Managed Income shares 2009 4th quarterly dividend of 1.45p (2008: 1.20p)	754	650
Managed Income shares 2008 special dividend of 0.25p	–	135
Managed Income shares 1st quarterly dividend of 0.80p (2009: 0.85p)	414	459
Managed Income shares 2nd quarterly dividend of 0.75p (2009: 0.90p)	386	485
Managed Income shares 3rd quarterly dividend of 0.75p (2009: 1.10p)	385	593
Managed Cash shares 2009 4th quarterly dividend of £nil (2008: 1.00p)	–	239
Managed Cash shares 1st quarterly dividend of £nil (2009: 0.90p)	–	214
Managed Cash shares 2nd quarterly dividend of £nil (2009: 0.60p)	–	131
Managed Cash shares 3rd quarterly dividend of £nil (2009: 0.20p)	–	42
<b>Total dividends paid in the year</b>	<b>4,477</b>	<b>5,993</b>

### (b) Dividends proposed

	2010 £'000	2009 £'000
Managed Growth shares 4th interim dividend of 0.75p (2009: 1.55p)	317	692
Managed Income shares 4th quarterly dividend of 1.00p (2009: 1.45p)	495	754
Managed Cash shares 4th quarterly dividend of £nil (2009: £nil)	–	–
<b>Total dividends proposed</b>	<b>812</b>	<b>1,446</b>

# Notes to the Accounts continued

## 7. Dividends continued

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

The requirements of Section 1158 of the Income and Corporation Tax Act 2010 are considered on the basis of dividends paid and proposed in respect of the financial year, as follows:

	2010 £'000	2009 £'000
Managed Growth shares 1st interim dividend of 1.60p (2009: 1.87p)	705	845
Managed Growth shares 2nd interim dividend of 1.10p (2009: 2.00p)	468	896
Managed Growth shares 3rd interim dividend of 1.60p (2009: 1.73p)	682	775
Managed Growth shares 4th interim dividend of 0.75p (2009: 1.55p)	317	692
Managed Income shares 1st quarterly dividend of 0.80p (2009: 0.85p)	414	459
Managed Income shares 2nd quarterly dividend of 0.75p (2009: 0.90p)	386	485
Managed Income shares 3rd quarterly dividend of 0.75p (2009: 1.10p)	385	593
Managed Income shares 4th quarterly dividend of 1.00p (2009: 1.45p)	495	754
Managed Cash shares 1st quarterly dividend of £nil (2009: 0.90p)	–	214
Managed Cash shares 2nd quarterly dividend of £nil (2009: 0.60p)	–	131
Managed Cash shares 3rd quarterly dividend of £nil (2009: 0.20p)	–	42
Managed Cash shares 4th quarterly dividend of £nil (2009: £nil)	–	–
<b>Total dividends for Section 1158 purposes</b>	<b>3,852</b>	<b>5,886</b>

The revenue available for distribution by way of dividend for the year is £3,589,000 (2009: £5,518,000).

## 8. Return/(loss) per share

### Managed Growth

	2010 £'000	2009 £'000
Return/(loss) per Managed Growth share is based on the following:		
Revenue return	2,171	3,267
Capital return/(loss)	11,057	(11,624)
<b>Total return/(loss)</b>	<b>13,228</b>	<b>(8,357)</b>
Weighted average number of shares in issue	43,245,915	45,068,399
Revenue return per share	5.02p	7.25p
Capital return/(loss) per share	25.57p	(25.79)p
<b>Total return/(loss) per share</b>	<b>30.59p</b>	<b>(18.54)p</b>

## 8. Return/(loss) per share continued

### Managed Income

	2010 £'000	2009 £'000
Return/(loss) per Managed Income share is based on the following:		
Revenue return	1,374	1,903
Capital return/(loss)	2,157	(8,802)
Total return/(loss)	3,531	(6,899)
Weighted average number of shares in issue	51,187,021	53,657,497
Revenue return per share	2.68p	3.55p
Capital return/(loss) per share	4.21p	(16.41)p
Total return/(loss) per share	6.89p	(12.86)p

### Managed Cash

	2010 £'000	2009 £'000
Return/(loss) per Managed Cash share is based on the following:		
Revenue return	44	348
Capital loss	(2)	(3)
Total return/(loss)	42	345
Weighted average number of shares in issue	20,042,093	22,262,472
Revenue return per share	0.22p	1.56p
Capital loss per share	(0.01)p	(0.01)p
Total return per share	0.21p	1.55p

# Notes to the Accounts continued

## 9. Investments

	2010 £'000	2009 £'000
Investments listed on a recognised investment exchange	155,510	143,091
Unlisted investments <sup>1</sup>	48,759	58,480
<b>Total investments held at fair value</b>	<b>204,269</b>	201,571

<sup>1</sup>Unlisted investments comprise investments in Open Ended Investment Companies and liquidity funds.

	Listed £'000	Unlisted £'000	2010 Total £'000
Opening book cost	145,985	51,234	197,219
Opening investment holding (losses)/gains	(2,894)	7,246	4,352
Opening valuation	143,091	58,480	201,571
Movement in the year:			
Purchases at cost	22,909	8,450	31,359
Sales - proceeds	(21,344)	(20,866)	(42,210)
Gains on sales of investments based on the carrying value at the previous balance sheet date	993	1,117	2,110
Net movement in investment holding gains and losses	9,861	1,578	11,439
	155,510	48,759	204,269
Closing book cost	147,735	43,133	190,868
Closing investment holding gains	7,775	5,626	13,401
<b>Total investments held at fair value</b>	<b>155,510</b>	<b>48,759</b>	<b>204,269</b>

During the year, prior year investment holding gains amounting to £2,390,000 were transferred to gains on sales of investments as disclosed in note 13.

Transaction costs on purchases during the year amounted to £142,000 (2009: £250,000) and on sales during the year amounted to £31,000 (2009: £61,000). These costs comprise mainly brokerage commission.

	2010 £'000	2009 £'000
<b>10. Current assets</b>		
<b>Debtors</b>		
Securities sold awaiting settlement	210	–
Dividends and interest receivable	411	722
UK income tax recoverable	15	9
Other debtors	40	18
<b>Total</b>	<b>676</b>	749

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

#### Cash and short term deposits

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

	2010 £'000	2009 £'000
<b>11. Creditors:</b> amounts falling due within one year		
Securities purchased awaiting settlement	146	207
Bank overdraft	–	32
Repurchase of the Company's own shares awaiting settlement	–	740
Corporation tax	56	–
Other creditors and accruals	145	140
Derivative instruments held at fair value through profit or loss - written options	7	27
	<b>354</b>	1,146

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

# Notes to the Accounts continued

## 12. Called up share capital

	2010 £'000	2009 £'000
<b>Managed Growth</b>		
44,650,134 (2009: 45,484,800) shares in issue at the beginning of the year	5	5
Issue of 70,000 <sup>1</sup> (2009: 460,000) shares	–	–
Net share conversion increase of 195,503 (2009: increase of 186,373) shares	–	–
Repurchase of 2,698,341 (2009: 1,481,039) shares for cancellation	–	–
Total 42,217,296 (2009: 44,650,134) shares in issue at the end of the year	5	5
<b>Founder Shares</b>		
50,000 Founder shares of £1 each 25p partly paid in issue at the beginning and end of the year	13	13
<b>Managed Income</b>		
51,979,421 (2009: 54,126,517) shares in issue at the beginning of the year	4	4
Issue of nil (2009: 375,000) shares	–	–
Net share conversion reduction of 226,112 (2009: reduction of 1,636,677) shares	–	–
Repurchase of 2,360,993 (2009: 885,419) shares for cancellation	–	–
Total 49,392,316 (2009: 51,979,421) shares in issue at the end of the year	4	4
<b>Managed Cash</b>		
21,425,261 (2009: 23,801,941) shares in issue at the beginning of the year	2	2
Issue of 250,000 <sup>2</sup> shares (2009: nil)	–	–
Net share conversion reduction of 567,679 (2009: increase of 401,805) shares	–	–
Redemption of 680,109 (2009: 1,833,285) shares	–	–
Repurchase of 673,900 (2009: 945,200) shares for cancellation	–	–
Total 19,753,573 (2009: 21,425,261) shares in issue at the end of the year	2	2
<b>Total</b>	<b>24</b>	<b>24</b>

<sup>1</sup>During the year, a total of 70,000 Managed Growth shares with a total nominal value of £7 were issued to the market at prices in excess of the net asset value per share, for a total consideration of £254,000.

<sup>2</sup>During the year, a total of 250,000 Managed Cash shares with a total nominal value of £25 were issued to the market at prices in excess of the net asset value per share, for a total consideration of £254,000.

Further details of transactions in share capital during the year are given in the Directors' Report on page 39.

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), which is exempt from UK capital gains tax.

Managed Cash shareholders can also elect to have all or part of their holding of such shares redeemed by the Company for cash at the net asset value on each conversion date.

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 page 83.

### Deferred Shares

The Company's Articles allow for Deferred shares to be allotted as part of the quarterly share conversion 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 do not confer any rights to the shareholder to receive capital or dividends and will be repurchased by the Company from time to time for a nominal sum. The issue and repurchase of these 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 and no rights on a winding up or entitlement to dividends.

	2010 £	2009 £
<b>Deferred Managed Growth shares:</b>		
At the beginning of the year 1,778,311 Deferred Managed Growth shares of 0.000716p (2009: 47,830 shares of 0.000117p) each	13	–
Cancellation of 1,778,311 Deferred Managed Growth shares of 0.000716p (2009: 47,830 shares of 0.000117p) each	(13)	–
Issue of 617,797 Deferred Managed Growth shares of 0.000219p (2009: 45,010,341 shares of 0.00266p) each	1	1,197
Cancellation of 617,797 Deferred Managed Growth shares of 0.000219p (2009: 45,010,341 shares of 0.00266p) each	(1)	(1,197)
Issue of 42,514,389 Deferred Managed Growth shares of 0.000707p (2009: 1,778,311 shares of 0.000716p) each	301	13
Cancellation of 42,514,389 Deferred Managed Growth shares of 0.000707p (2009: nil shares) each	(301)	–
Issue of 42,192,376 Deferred Managed Growth shares of 0.005000p (2009: nil shares) each	2,110	–
Closing balance	2,110	13
<b>Deferred Managed Income shares:</b>		
At the beginning of the year 52,372,011 Deferred Managed Income shares of 0.000739p (2009: 54,501,077 shares of 0.001071p) each	387	584
Cancellation of 52,372,011 Deferred Managed Income shares of 0.000739p (2009: 54,501,077 shares of 0.001071p) each	(387)	(584)
Issue of 507,275 Deferred Managed Income shares of 0.000655p (2009: 53,393,735 shares of 0.000474p) each	3	253
Cancellation of 507,275 Deferred Managed Income shares of 0.000655p (2009: 53,393,735 shares of 0.000474p) each	(3)	(253)
Issue of 24,314 Deferred Managed Income shares of 0.000880p (2009: 52,372,011 shares of 0.000739p) each	–	387
Cancellation of 24,314 Deferred Managed Income shares of 0.000880p (2009: nil shares) each	–	–
Issue of 49,061,672 Deferred Managed Income shares of 0.000214p (2009: nil shares) each	105	–
Closing balance	105	387

# Notes to the Accounts continued

## 12. Called up share capital continued

	2010 £	2009 £
<b>Deferred Managed Cash shares:</b>		
At the beginning of the year nil Deferred Managed Cash shares (2009: 435,912 shares of 0.001165p) each	–	5
Cancellation of nil Deferred Managed Cash shares (2009: 435,912 shares of 0.001165p) each	–	(5)
Issue of 20,313,228 Deferred Managed Cash shares of 0.000308p (2009: nil) each	63	–
Cancellation of 20,313,228 Deferred Managed Cash shares of 0.000308p (2009: nil) each	(63)	–
Issue of 19,735,590 Deferred Managed Cash shares of 0.002000p (2009: nil) each	395	–
Cancellation of 19,735,590 Deferred Managed Cash shares of 0.002000p (2009: nil) each	(395)	–
Issue of 459,578 Deferred Managed Cash shares of 0.001000p (2009: nil) each	5	–
Closing balance	5	–

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserves		Revenue reserve £'000
				Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	
<b>13. Reserves</b>						
Opening balance	24	64,903	132,300	1,604	4,325	2,776
Gains on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	2,110	–	–
Transfer on disposal of investments	–	–	–	2,390	(2,390)	–
Net movement in investment holding gains and losses	–	–	–	–	11,439	–
Unrealised losses on options now realised	–	–	–	(27)	27	–
Unrealised gains on options	–	–	–	–	20	–
Currency losses on cash and short term deposits held during the year	–	–	–	(5)	–	–
Shares issued	–	508	–	–	–	–
Share conversions during the year	–	2,833	(2,833)	–	–	–
Repurchase and cancellation of the Company's own shares	–	–	(12,458)	–	–	–
Other capital charges	–	–	–	(11)	–	–
Expenses charged to capital	–	–	–	(341)	–	–
Dividends appropriated in the year	–	–	–	–	–	(4,477)
Net revenue return for the year	–	–	–	–	–	3,589
Closing balance	<b>24</b>	<b>68,244</b>	<b>117,009</b>	<b>5,720</b>	<b>13,421</b>	<b>1,888</b>

### Repurchase and cancellation of the Company's own shares

During the year a total of 2,698,341 Managed Growth shares, 2,360,993 Managed Income shares and 673,900 Managed Cash shares were repurchased by the Company and cancelled. In addition, a total of 680,109 Managed Cash shares were redeemed in the three redemption 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 2010 is less than £1,000.

#### 14. Net asset value per share

The net asset values per share are calculated as follows:

	Managed Growth	2010 Managed Income	Managed Cash	Managed Growth	2009 Managed Income	Managed Cash
Net assets attributable (£'000)	150,412	36,012	19,822	148,252	36,184	21,496
Shares in issue at the year end	42,217,296	49,392,316	19,753,573	44,650,134	51,979,421	21,425,261
Net asset value per share (pence)	356.3	72.9	100.7	332.0	69.6	100.3

#### 15. Reconciliation of net return/(loss) on ordinary activities before taxation to net cash inflow from operating activities

	2010 £'000	2009 £'000
Total net return/(loss) on ordinary activities before finance costs and taxation	16,852	(14,708)
Add back capital (return)/loss before finance costs and taxation	(13,212)	20,359
Decrease in accrued income	311	162
Increase in other debtors	(5)	(3)
Increase in accrued expenses	7	19
Scrip dividends received as income	(279)	(24)
Expenses charged to capital	(341)	251
Taxation on unfranked income	(17)	(24)
Net cash inflow from operating activities	3,316	6,032

#### 16. Analysis of changes in net funds

	At 31st August 2009 £'000	Cash flow £'000	Exchange movement £'000	At 31st August 2010 £'000
Cash and short term deposits	4,775	(3,055)	(5)	1,715
Bank overdraft	(32)	32	–	–
Net funds	4,743	(3,023)	(5)	1,715

#### 17. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2009: none).

# Notes to the Accounts continued

## 18. Transactions with the Manager

Details of the management contracts are set out in the Directors' Report on page 40. The total amount payable to JPMAM for the year in respect of these contracts was £497,000 (2009: £417,000), of which £nil (2009: £nil) was outstanding at the year end. In addition £102,000 (2009: £139,000), excluding VAT, was payable to JPMAM for the marketing and administration of 'wrapper' products of which £nil (2009: £nil) was outstanding at the year end.

Custody fees amounting to £3,000 (2009: £3,000) were payable to third party custodians by JPMorgan Chase on behalf of the Company, of which £nil (2009: £1,000) 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 for the year was £14,000 (2009: £13,000) of which £nil (2009: £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 2010 these were valued at £120.8 million (2009: £122.5 million) and represented 59.1% (2009: 60.8%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £9.5 million (2009: £21.4 million) and sales with a total value of £19.4 million (2009: £11.4 million). Income amounting to £2.4 million (2009: £2.7 million) was receivable from these investments during the year of which £238,000 (2009: £509,000) was outstanding at the year end.

At the year end, a bank balance of £1,715,000 (2009: £4,775,000) was held with JPMorgan Chase. Interest amounting to £10,000 (2009: £138,000), was receivable by the Company during the year from JPMorgan Chase of which £1,000 (2009: £nil) was outstanding at the year end.

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

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio and derivative financial instruments comprising written options.

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

Level 1 - valued using quoted prices in active markets for identical assets.

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 1b on page 57.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets held at fair value through profit or loss at 31st August 2010</b>				
Equity investments	155,510	—	—	155,510
Investments in liquidity funds	19,897	—	—	19,897
Bond funds	28,862	—	—	28,862
Derivative financial instruments - written options	—	(7)	—	(7)
<b>Total</b>	<b>204,269</b>	<b>(7)</b>	<b>—</b>	<b>204,262</b>

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

## 20. 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 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 with exposure to corporate bonds, and sterling liquidity funds;
- 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 on the whole 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 which invest in overseas markets.

#### (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 (2009: bank overdraft of £32,000).

#### 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.

# Notes to the Accounts continued

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

### (a) Market risk continued

#### (ii) Interest rate risk continued

##### Interest rate exposure

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

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Exposure to floating interest rates:								
Cash and short term deposits	1,549	164	2	1,715	3,681	1,094	–	4,775
Investments in liquidity funds	–	–	19,897	19,897	–	–	21,553	21,553
Bank overdraft	–	–	–	–	–	–	(32)	(32)
<b>Total exposure</b>	<b>1,549</b>	<b>164</b>	<b>19,899</b>	<b>21,612</b>	<b>3,681</b>	<b>1,094</b>	<b>21,521</b>	<b>26,926</b>

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:

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Maximum interest rate exposure to floating rates	4,349	1,098	21,557	27,004	7,744	2,078	24,155	33,977
Minimum interest rate exposure to floating rates	1,096	175	19,654	20,925	3,122	251	21,371	24,744

### Interest rate sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets to a 1.0% (2009: 1.0%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments, 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:

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Income statement - return after taxation								
Revenue return	15	2	199	216	37	11	215	263
Net assets	15	2	199	216	37	11	215	263

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 risk, 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/reward profile.

#### Other price risk exposure

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

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Equity investments held at fair value through profit or loss	148,772	31,212	–	179,984	144,470	35,548	–	180,018
Derivative instruments - written options	–	(7)	–	(7)	–	(27)	–	(27)
	148,772	31,205	–	179,977	144,470	35,521	–	179,991

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

# Notes to the Accounts continued

## 20. 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 11 and 23. 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% (2009: 10%) in the fair value of equity investments 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:

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Income statement – return after taxation:								
Revenue return	(14)	(8)	–	(22)	(13)	(9)	–	(22)
Capital return	14,835	3,560	–	18,395	14,408	3,546	–	17,954
Total return after taxation and net assets	14,821	3,552	–	18,373	14,395	3,537	–	17,932

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

	2010				2009			
	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000	Managed Growth (unaudited) £'000	Managed Income (unaudited) £'000	Managed Cash (unaudited) £'000	Total £'000
Income statement – return after taxation:								
Revenue return	14	8	–	22	13	9	–	22
Capital return	(14,835)	(3,560)	–	(18,395)	(14,408)	(3,546)	–	(17,954)
Total return after taxation and net assets	(14,821)	(3,552)	–	(18,373)	(14,395)	(3,537)	–	(17,932)

**(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:

	2010		2009	
	Three months or less £'000	Total £'000	Three months or less £'000	Total £'000
Creditors: amounts falling due within one year				
Securities purchased awaiting settlement	146	146	207	207
Bank overdraft	–	–	32	32
Repurchase of the Company's own shares awaiting settlement	–	–	740	740
Other creditors and accruals	145	145	140	140
Derivative instruments held at fair value through profit or loss - written options	7	7	27	27
	<b>298</b>	<b>298</b>	1,146	1,146

**(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 (the Custodian of the Company's assets)*

The Company's investment assets are clearly ringfenced in client designated accounts. 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

## 20. 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 (2009: AAA) credit rating.

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2009: 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.

## 21. 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 36 and 37.

# Notice of Meeting

Notice is hereby given that the tenth Annual General Meeting of JPMorgan Elect plc will be held at Dexter House, No.2 Royal Mint Court, Tower Hill, London EC3M 4QN on Wednesday, 15th December 2010 at 12.00 noon for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st August 2010.
2. To approve the Directors' Remuneration Report for the year ended 31st August 2010.
3. To re-elect Simon Miller as a Director of the Company.
4. To re-elect Roger Ottley as a Director of the Company.
5. To re-elect Nigel Sidebottom as a Director of the Company.
6. To re-appoint Ernst & Young LLP as auditors 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

7. 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 an aggregate nominal amount of approximately £626 (being approximately 10% of the issued share capital of the Managed Growth, Managed Income and Managed Cash share classes of the Company as at 10th November 2010) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 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-emptive rights on allotment of new shares – Special Resolution

8. THAT, subject to the passing of resolution 7 set out above, the Directors of the Company be and are hereby empowered pursuant to Section 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) pursuant to the authority conferred by Resolution 6 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 up to an aggregate nominal value of approximately £626 (being approximately 10% of the total issued share capital as at 10th November 2010) 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 6 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 or agreements as if the power conferred hereby had not expired.

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

9. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 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 in the capital of the Company).

PROVIDED ALWAYS THAT

- (i) the maximum number of Managed Growth, Managed Income and Managed Cash shares hereby authorised to be purchased shall be 6,295,604, 7,382,296 or 2,923,585 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

# Notice of Meeting continued

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; or (b) the price of the last independent trade; or (c) the highest current independent bid;

- (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (v) the authority hereby conferred shall expire on 15th June 2012 unless the authority is renewed at the Company's Annual General Meeting in 2011 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**

10. 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  
Alison Vincent, for and on behalf of  
JPMorgan Asset Management (UK) Limited,  
Secretary.  
11th November 2010

#### **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 automatically be terminated.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received (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 Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting or if it would involve the disclosure of confidential information.
10. Under sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in had copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.jpmelect.co.uk](http://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 at 10th November 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 41,998,698 Managed Growth shares, 49,248,141 Managed Income shares and 19,503,573 Managed Cash shares. Voting rights are calculated by reference to the Share Voting numbers which, as at 10th November 2010, were 3.56 (Managed Growth), 0.73 (Managed Income) and 1.00 (Managed Cash). Therefore the total voting rights in the Company are 204,970,080.

#### Electronic appointment - CREST members

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

# Glossary of Terms and Definitions

## **Return to Shareholders**

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

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

## **Total Expense Ratio**

Management fees and all other operating expenses, excluding interest and VAT recoverable, 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).

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

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

## **Gearing Factor**

Investments excluding holdings in liquidity funds, expressed as a percentage of shareholders' funds. This shows the effect of gearing on the NAV if the market value of the portfolio were to increase by 100%.

# 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 a return, predominantly in the form of 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 and shares of 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 government securities/G7 government securities hedged into sterling.

## 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 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](http://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](http://www.jpmelect.co.uk).

# Notes

# Information about the Company

## Financial Calendar

Financial year end	31st August
Final results announced	November
Half year end	28th February
Half year results announced	April
Interim Management Statements announced	June/December
Dividends payable (if any)	
Managed Growth	June and December
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') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at [www.jpmelect.co.uk](http://www.jpmelect.co.uk), where the share prices are updated every fifteen minutes during trading hours.

## Website

[www.jpmelect.co.uk](http://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](http://www.jpmorganwealthmanagerplus.co.uk).

## Manager and Secretary

JPMorgan Asset Management (UK) Limited

## Company's Registered Office

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

For company secretarial and administrative matters, please contact Alison Vincent.

## Registrars

Equiniti  
Reference 2018  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone number: 0871 384 2319

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](http://www.shareview.co.uk).

## Independent Auditors

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

## Brokers

Winterflood Securities  
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.

**aic**

The Association of  
Investment Companies A member of the AIC

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](http://www.jpmelect.co.uk)