Annual Report 07

JPMorgan Elect plc

Annual Report & Accounts for the year ended 31st August 2007

JPMorgan Asset Management

Features

Contents

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

Objectives

Managed Growth – Long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMorgan.

Managed Income – Growth of income with potential for long term capital growth by investing in equities, higher yielding shares of 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.

More information on investment policies and risk management is given in the Directors' Report on pages 30 and 31.

Benchmarks

Managed Growth – A composite comprising 65% FTSE All-Share Index and 35% FTSE World Index (ex-UK).

Managed Income – A composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch Sterling Corporate Bond index.

Managed Cash – There is no benchmark for this portfolio.

Capital Structure

Managed Growth share class has an authorised share capital of 160,000,000 ordinary shares, of which 48,366,117 were in issue at the year end (2006: 51,990,259).

Managed Income share class has an authorised share capital of 200,000,000 ordinary shares, of which 55,760,419 were in issue at the year end (2006: 57,368,257).

Managed Cash share class has an authorised share capital of 125,000,000 ordinary shares, of which 25,605,165 were in issue at the year end (2006: 27,777,834).

Management Company

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

Chairman's Statement

"I am pleased to report that in spite of some turbulent times for equities during the Company's financial year, all three share classes generated positive returns for shareholders"

I am pleased to report that in spite of some turbulent times for equities during the Company's financial year, all three share classes generated positive returns for shareholders.

Whilst both Managed Growth and Managed Income out-performed their respective benchmark in terms of return on assets, returns to shareholders were slightly behind.

The Managed Growth portfolio produced a total return to shareholders of +11.6%, compared with its composite benchmark which returned +12.0%. The total return to Managed Income shareholders was +6.9%, compared with its benchmark, which returned +8.1%. The Managed Cash portfolio has remained invested in sterling liquidity funds with a competitive yield and credit rating of AAA (or equivalent) and produced a total return to shareholders of +5.1% over the year.

Performance should be judged over the long term and since the Company's re-structure in January 2004, the Managed Growth and Managed Income portfolios have produced the following returns compared with their respective benchmarks:

Managed Growth:

Share price total return:	+72.8%
Net asset value total return:	+80.4%
Benchmark total return:	+60.6%

Managed Income:

Share price total return:	+62.4%
Net asset value total return:	+63.8%
Benchmark total return:	+58.3%

The Investment Managers provide more detail on the activity within the Company's three portfolios and their outlook for markets and economies in their reports.

Dividends

Managed Growth

During the year, interim dividends totalling 3.65 pence have been paid on the Managed Growth shares. The Directors have declared an interim dividend of 1.60 pence per Managed Growth share in respect of the three months to 31st August 2007, to be paid on 14th December 2007 to shareholders on the register at the close of business on 23rd November 2007. The total dividend for the year of 5.25 pence compares with 5.20 pence in 2006. Interim dividends are paid on the Managed Growth shares in June and December each year. I would remind shareholders that the investment objective of the Managed Growth portfolio is long term capital growth and it is likely therefore that the rate of dividend will continue to fluctuate from year to year.

Managed Income

During the year, ordinary dividends totalling 2.94 pence were paid on the Managed Income shares. A fourth quarterly dividend of 1.18 pence per Managed Income share was paid on 14th September 2007, bringing the total for the financial year to 4.12 pence (2006: 3.75 pence). It remains the Board's intention to provide a growing income together with the potential for long-term capital growth. In addition, special dividends totalling 1.00 pence were paid in respect of the year under review. The special dividends were paid as a result of higher than expected revenue from the portfolio, in particular the distribution received from JPMorgan Fleming Income & Growth Investment Trust plc on its winding up. The Board will continue to pay special dividends should income on the portfolio exceed expectations.

Dividends on the Managed Income shares are paid quarterly in March, June, September and December each year but, due to the frequency and timing of distributions from the underlying investments, the quarterly dividends are not of equal amounts.

Managed Cash

During the year, dividends totalling 2.91 pence per Managed Cash share were paid. A fourth quarterly dividend of 1.02 pence per Managed Cash share was paid on 14th September 2007, bringing the total for the financial year to 3.93 pence (2006: 3.73 pence). Dividends on the Managed Cash shares are paid quarterly in March, June, September and December each year.

Discount Management

The Company has authority to issue and repurchase new shares of each class and details of share issues and repurchases, together with the conversions between share classes, that have taken place during the year are given in the Business Review within the Directors' Report. The principal objective of the share issue and repurchase programme is to ensure that the share price trades close to the net asset value of the underlying portfolio. The Board believes that its pro-active approach has been successful in achieving this objective and authority will therefore be sought from shareholders at the forthcoming AGM to renew these powers.

Conversions

The Company's structure enables shareholders to benefit from a lower overall total expense ratio and greater investment flexibility, with the opportunity twice each year, on 31st May and 30th November, to convert part or all of their share holdings into shares of the Company's other share classes. Such conversions are not, under current law, treated as disposals for UK capital gains tax purposes. Details of the conversion that took place during the year are given in the Directors' Report on page 34.

Managed Growth Benchmark

In last year's statement, I reported that the Board was considering changing the benchmark for the Managed Growth portfolio from a composite comprising 65% FTSE All Share and 35% FTSE World (ex-UK) Index, to a 50/50 weighting. After due consideration, the Board decided to implement this change with effect from 1st September 2007. Accordingly, the performance figures in this report are still based on the 65/35 weighting and future Company reports will reflect this change. The change to the benchmark allows the Investment Manager more flexibility in accessing the wider opportunity set in non-UK funds and moves the geographical allocation closer to that of other global generalist investment trusts, against which the Managed Growth portfolio is already compared. This move should also help differentiate the investment choice that exists within the Elect structure, since a pure UK portfolio option can already be accessed through the Managed Income share class.

Managed Growth Investment Manager

Following a five year secondment in London, Jonathan Lowe, the Managed Growth portfolio investment manager since 2002, will be returning to Hong Kong in March 2008. Mr Lowe will be succeeded by Katy Thorneycroft. Mrs Thorneycroft joined Flemings, the predecessor of JPMorgan, in September 1999 and has been involved with the day-to-day management of the Managed Growth portfolio since February 2006. Shareholders will have an opportunity to meet Mr Lowe and Mrs Thorneycroft at the forthcoming Annual General Meeting. The Board would like to thank Mr Lowe for his outstanding contribution to the success of the Company over the last five years and wishes him well for the future.

The Board

At the conclusion of the Company's forthcoming Annual General Meeting, I shall be retiring from the Board, after serving five years as Chairman of this Company and a further three years as a director of JPMorgan Fleming Managed Growth plc. Throughout this time it has been a pleasure to serve on the Board and I wish my fellow Directors and all shareholders well for the future. Simon Miller will succeed me as Chairman. The Board has begun the process to recruit a new Director and expects to make an appointment shortly.

Annual General Meeting

I very much look forward to welcoming shareholders to the Annual General Meeting which will be held at The Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on Friday 7th December 2007 at 12.00 noon. In addition to the formal business of the meeting, the Investment Managers will make a presentation to shareholders, reviewing the year and commenting on the outlook. There will also be an opportunity to meet the Directors, Investment Managers and representatives of JPMorgan after the meeting. Shareholders who are unable to attend the meeting are encouraged to use their proxy votes.

Please submit in writing any detailed or technical questions that they wish to raise at the AGM in advance to the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

Ken Culley
Chairman 31st October 2007

MANAGED GROWTH

Financial Results

Total Returns (capital plus income)

Managed Growth Share Class

+11.6%
Return to shareholders[1]
(2006: +22.1%)

+14.0%
Return on net assets[2]
(2006: +22.6%)

+12.0%
Benchmark return[3]
(2006: +14.4%)

Financial Data

	31st Aug 2007	31st Aug 2006	% Change
Total net assets (£'000)	195,514	188,196	+3.9
Number of shares in issue	48,366,117	51,990,259	–7.0
Net asset value per share	404.2p	362.0p	+11.7
Share price	389.5p	353.5p	+10.2
Share price discount to net asset value	3.6%	2.3%	
Total expense ratio	0.44%	0.41%	

A glossary of terms and definitions is provided on page 67.

[1]Source: Standard & Poor's – www.funds.morningstar.com.

[2]Source: Fundamental Data Ltd – www.funddata.com.

[3]Source: FTSE. The benchmark is a composite comprising 65% FTSE All Share Index and 35% FTSE World (ex-UK) Index.

Investment Managers' Report

Jonathan Lowe

Katy Thorneycroft

> " In spite of two serious corrections during the period, it was a good year for equity markets and another year of positive returns for the Managed Growth portfolio"

Review

In spite of two serious corrections during the period, it was a good year for equity markets and another year of positive returns for the Managed Growth portfolio. Over the past 12 months equities in aggregate have benefited from the underlying strength of the global economy and continued positive surprises in the level of profits growth. Although sharp corrections in February/March and again in August threatened to undermine this favourable background, what has become clear in retrospect is the extraordinary resilience of equities. For the year to the end of August all markets, bar Japan, produced double digit gains with returns at the higher risk end of the spectrum (eg. Asia ex Japan, the emerging markets) in excess of 40%. Sterling's continued relative strength, particularly against the US dollar, has taken the edge off local currency gains, but the effect of this has been well absorbed given the scale of the underlying equity returns.

That said, there has been a marked difference in returns between the two halves of the Company's financial year and this has been reflected in our own performance. The early part of the year was characterised by buoyant financial conditions and a strong appetite for risk. Apart from robust equity returns, this manifested itself in low levels of market volatility, declining credit spreads, high levels of takeover activity and an increase in investor flows toward the highest risk asset classes. Not surprisingly against this background, portfolio returns were strong.

Late February and early March, however, marked a sea-change in market conditions as the effects of the down-turn in the US housing market began to make themselves felt. As the contagion effects of rising defaults have spread out from US sub-prime mortgages to more mainstream fixed income markets, volatility has risen, credit spreads have ballooned and the appetite for risk – both investor and corporate – has reduced. The impact of all this can be seen from the performance of the Managed Growth portfolio. In the six months to the end of February the portfolio was firing on all cylinders – thanks to rising markets, the out-performance of small caps and narrowing investment trust discounts – and the NAV rose well in excess of its benchmark. Since the end of February, however, modest market gains have been undermined by the poor relative performance of small cap holdings and a widening in trust discounts and the portfolio's NAV has effectively been stationary during the second half of the year. We shall make further comments about performance later in this report.

MANAGED GROWTH

Investment Managers' Report continued

Performance

The table below summarises the key performance data:

Total returns to 31st August 2007

Months	6	12	24	36
NAV Return	1.3%	14.0%	39.1%	82.9%
Benchmark	4.2%	12.0%	28.0%	56.8%
FTSE All Share	4.4%	12.2%	31.5%	64.0%
FTSE World ex UK	4.3%	12.5%	24.0%	48.2%

Source: JPMAM/Bloomberg

Breaking down the return achieved over the year into its component parts we can disaggregate this performance as follows:

- Regional allocations. The contribution from relative country positioning was neutral over the year. Our main allocation bets continued to focus on a relative preference for Continental Europe, Japan, Asia and the emerging markets at the expense of both the UK and the US, although some of these positions were moderated as the year progressed. Against benchmark, the positioning in the US, Europe, Asia and the emerging markets added relative value, while the allocations to the UK and Japan detracted from performance. The small position in cash (approx 3% of the portfolio) also proved to be a performance drag.
- The small cap effect. Investment trusts lend themselves to less liquid mandates and small company funds are, as a result, overrepresented in our opportunity set. In previous years this has been a considerable source of value added as small companies have experienced a generalised re-rating. The effects over the past 12 months are still beneficial but the impact has lessened as the year has progressed. For the year as a whole the 16% of the portfolio that was invested in small caps added about 70 bps in relative performance, although all the out-performance was achieved in the first half of the year. Only in Japan did our small company holdings disappoint.
- Discount movements. Unlike in previous years this was a negative source of return as modest narrowing in the first half of the year was offset by widening discounts in the second. For many specialist trusts (eg. UK small companies, Japan, Asia, emerging markets) discount widening effects over the full year have been pronounced. We estimate this reduced performance by about 100 bps in the second half of the year.
- Fund selection. Underlying fund performance added value in aggregate terms but it was a more challenging second half of the year. Geographically our European, Asian and global strategies have continued to perform well but we have struggled with some of our UK and Japanese fund holdings. We have responded to this by reducing fund concentration and increasing the number of holdings to raise exposure to a broader range of styles. Given the significant weighting of the UK within the benchmark, it is vital we perform well here if we are to add value to the portfolio as a whole.

Portfolio Activity

At the end of August approximately 53% of the portfolio was invested in JPMorgan managed investment trusts, 24% in JPMorgan managed open ended funds and a further 23% in investment trusts managed by third party managers. Over the past year we have reduced the percentage invested in JPMorgan open ended funds (from 29% to 24%) and raised the weighting to externally managed trusts (from 17% to 23%).

Geographically we have made a number of changes to the portfolio. Given cumulative interest rate increases in the UK over the past 12 months, we have reduced still further our exposure to UK equities and have raised weightings in the US, Asia and the emerging markets. Some of this has been dictated by the contrasting interest rate cycles between the UK and the US, where the latter is clearly closer to interest cuts than the former. The continuing weakness of the US dollar relative to sterling has also been a factor since we perceive this provides a supportive background for dollar linked equity markets.

Significant transactions over the year include additional purchases of JPM American IT (taking the holding from 2.6% to 6.9% of the portfolio), JPM Asian IT (an increase from 3.5% to 5.5% of the portfolio) and JPM Emerging Markets IT (an increase from 2.1% to 2.9% of the portfolio). At the same time we cut exposures to JPM European Growth IT (from 7.8% of the portfolio to 6.7%), JPM Mercantile (from 3.9% of the portfolio to 2.7%), and JPM Overseas (from 2.6% of the portfolio to zero).

New names added to the portfolio in the past year include Dolphin Capital Investors, our first AIM listed holding, which develops resort properties in the eastern Mediterranean, Fidelity Special Values, JPM Chinese IT and Gartmore Growth Opportunities Fund.

Change of Benchmark

In last year's Annual Report, the Chairman alluded to the possibility of a change of benchmark against which the Managed Growth portfolio would be judged. This was discussed further at the Board's annual strategy day and it was agreed that the new benchmark would take effect from 1st September 2007. The new benchmark is a composite of 50% FTSE All Share and 50% FTSE World ex UK.

As the impetus for change has come from the Manager, rather than the Board, we should highlight the arguments made to justify the change. They were essentially three fold and focused on whether the existing benchmark was "growth" orientated enough, whether there was too much overlap with the Managed Income portfolio, and whether we were too restricted in making the best use of our full opportunity set. On each of these counts we felt the existing benchmark was wanting and that change would be beneficial over time. In the scheme of things a 15% reduction of the UK in favour of Global ex UK is perhaps not that significant but we do believe on each of these three arguments the new benchmark is an improvement on the old. Only time will tell whether this change can demonstrate it has added value.

MANAGED GROWTH

Investment Managers' Report continued

Outlook

The past two months have been eventful ones for financial markets. We have experienced near panic conditions in credit markets, a seizing up of the global inter-bank markets, the first run on a UK bank in 140 years and aggressive interest rate cuts by the US Federal Reserve in a bid to restore stability. Although equities sold off sharply as the credit crunch took hold, they have rallied equally sharply on the aggressiveness of the Fed's rate cuts and the certainty that there is more to come.

The implicit bet that many equity investors are making is that the lower interest rates will come to the rescue of economic activity before the credit crunch bites. Will the Fed (and other central banks) be successful in reflating? Although there are obvious doubts, the answer is that it has always worked in the past. Of course each cycle is different and the time lags involved between policy action and economic response does vary. But experience has taught investors not to fight (or doubt) the Fed.

From an equity perspective this bet is easier to make given reasonable earnings prospects (ex financials), the strong financial condition of the corporate sector and low(ish) valuations. Markets will undoubtedly remain volatile until credit conditions improve but given the supportive fundamental background, this four year old equity rally probably has further to go.

Jonathan Lowe
Katy Thorneycroft

Investment Managers

31st October 2007

Ten Largest Investments

Company	As at 31st August 2007 Valuation £'000	%[1]	As at 31st August 2006 Valuation £'000	%[2]
JPMorgan UK Dynamic Fund (A shares)[3]	20,082	10.3	20,985	11.2
JPMorgan Claverhouse Investment Trust plc	19,228	9.8	17,869	9.5
JPMorgan American Investment Trust plc[4]	13,422	6.9	4,835	2.6
JPMorgan European Investment Trust plc (Growth shares)	13,018	6.7	14,602	7.8
JPMorgan UK Strategic Value Fund (A shares)[3]	11,084	5.7	10,309	5.5
JPMorgan Asian Investment Trust plc	10,791	5.5	6,590	3.5
JPMorgan US Fund (A shares)[3]	8,020	4.1	7,566	4.0
JPMorgan Europe Dynamic Fund (ex-UK) (A shares)[3,4]	5,724	2.9	4,548	2.4
JPMorgan Emerging Markets Investment Trust plc[4]	5,714	2.9	4,041	2.1
JPMorgan Income & Capital Investment Trust plc (Units)[4]	5,346	2.7	4,907	2.6
Total	112,429	57.5		

[1]Based on total assets less current liabilities of £195.5m.

[2]Based on total assets less current liabilities of £188.2m.

[3]Open Ended Investment Company.

[4]Not included in the ten largest investments as at 31st August 2006.

As at 31st August 2006, the value of the ten largest investments amounted to £101.2m, representing 53.8% of total assets less current liabilities.

Geographic Analysis

(on a look through basis)

Region	As at 31st August 2007 Portfolio %	Benchmark %	As at 31st August 2006 Portfolio %	Benchmark %
UK	50.1	65.0	54.1	65.0
North America	15.0	18.7	11.7	13.4
Continental Europe	14.1	8.4	14.9	5.3
Other	6.5	2.7	4.5	1.3
Japan	6.1	3.5	7.2	13.9
Other Pacific	5.8	1.7	3.1	1.1
Net current assets	2.4	–	4.5	–
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £195.5m (2006: £188.2m).

Currency Exposure

at 31st August 2007

(on a look through basis)

	GBP	USD	Euro	JPY	HKD	Other	TOTAL
%	50	15	15	7	6	7	100

Based on country of listing.

MANAGED GROWTH

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List of Investments

at 31st August 2007

Company	Valuation £'000
JPMorgan Managed Investment Trusts	
JPMorgan Claverhouse	19,228
JPMorgan American	13,422
JPMorgan European (Growth shares)	13,018
JPMorgan Asian	10,791
JPMorgan Emerging Markets	5,714
JPMorgan Income & Capital (Units)	5,346
JPMorgan Fleming Mercantile	5,239
JPMorgan European Fledgling	5,064
JPMorgan Japanese	4,910
JPMorgan Smaller Companies	3,862
JPMorgan Mid Cap	3,582
JPMorgan US Discovery	3,524
JPMorgan Income & Growth (Capital shares)	2,369
JPMorgan Fleming Japanese Smaller Companies	2,044
JPMorgan Indian	1,490
JPMorgan Chinese	681
JPMorgan Income & Growth (Units)	584
JPMorgan Russian Securities	270
	101,138
JPMorgan Managed Open Ended Investment Companies ('OEICS')	
JPMorgan UK Dynamic Fund (A shares)[1]	20,082
JPMorgan UK Strategic Value Fund (A shares)[1]	11,084
JPMorgan US Fund 'A shares'[1]	8,020
JPMorgan Europe Dynamic Fund (ex UK) (A shares)[1]	5,724
	44,910

[1]Unlisted.

Company	Valuation £'000
Externally Managed Investment Trusts	
Fidelity Special Values	4,130
Hansa	3,880
Utilico	3,170
Finsbury Technology	2,762
SVM UK Active	2,612
Perpetual Income & Growth	2,540
Impax Environmental Markets	2,277
Aberforth Smaller Companies	2,150
Edinburgh	2,126
Biotech Growth	2,092
Electric & General	2,080
Gartmore Growth Opportunities	1,970
Scottish Mortgage	1,957
Schroder Japan Growth	1,940
Edinburgh Worldwide	1,819
Gartmore Irish Growth	1,810
Dolphin Capital Investors	1,400
Gartmore Fledgling	1,376
Melchior Japan	1,300
Alliance	1,060
	44,451
Total Portfolio	**190,499**

Shareholder Analysis

at 31st August 2007

	Number of shares	% Holding
Unit Trusts	488,979	1.0
Pensions	381,715	0.8
Other Institutions	538,458	1.1
Total Institutions	1,409,152	2.9
Individuals in the Investment Trust Share Plan[1]	16,330,914	33.8
Individuals in the Investment Trust Pension Account[1]	13,941,248	28.8
Private Client Brokers	10,872,630	22.5
Retail Investors holding shares directly or through nominee accounts[2]	3,499,777	7.2
Individuals in the Investment Trust Individual Savings Account[1]	1,820,778	3.8
Individuals in the Investment Trust Personal Equity Plan[1]	491,618	1.0
Total Retail	46,956,965	97.1
Total Shares in Issue	48,366,117	100.0

Nominee accounts have been allocated to their appropriate category.

[1]Savings product managed by JPMorgan.

[2]Includes shares below 10,000 threshold.

Source: Thomson Financial.

MANAGED GROWTH

Income Statement

(Unaudited)
for the year ended 31st August 2007

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Gains from investments held at fair value through profit or loss	–	22,747	22,747	–	34,028	34,028
Income from investments	2,739	–	2,739	2,739	–	2,739
Other interest receivable and similar income	279	–	279	404	–	404
Gross return	3,018	22,747	25,765	3,143	34,028	37,171
Management fee	(121)	(364)	(485)	(105)	(312)	(417)
Other administrative expenses	(368)	–	(368)	(316)	–	(316)
Net return on ordinary activities before taxation	2,529	22,383	24,912	2,722	33,716	36,438
Taxation	20	54	74	108	–	108
Net return on ordinary activities after taxation	2,549	22,437	24,986	2,830	33,716	36,546
Return per Managed Growth share	5.06p	44.58p	49.64p	5.23p	62.31p	67.54p

Balance Sheet

(Unaudited)
at 31st August 2007

	2007 £'000	2006 £'000
Fixed assets		
Investments at fair value through profit or loss	190,499	178,825
Current assets		
Debtors	1,684	868
Cash and short term deposits	4,007	10,678
	5,691	11,546
Creditors: amounts falling due within one year	(676)	(2,175)
Net current assets	5,015	9,371
Total assets less current liabilities	195,514	188,196
Total net assets	195,514	188,196
Net asset value per Managed Growth share	404.2p	362.0p

MANAGED INCOME

Financial Results

Total Returns (capital plus income)

Managed Income Share Class

+6.9%
Return to shareholders[1]
(2006: +16.3%)

+8.7%
Return on net assets[2]
(2006: +15.8%)

+8.1%
Benchmark return[3]
(2006: +12.1%)

Financial Data

	31st Aug 2007	31st Aug 2006	% Change
Total net assets (£'000)	63,444	62,347	+1.8
Number of shares in issue	55,760,419	57,368,257	–2.8
Net asset value per share	113.8p	108.7p	+4.7
Share price	109.0p	106.5p	+2.3
Share price discount to net asset value	4.2%	2.0%	
Total expense ratio	0.79%	0.79%	

A glossary of terms and definitions is provided on page 67.

[1]Source: Standard & Poor's – www.funds.morningstar.com.

[2]Source: Fundamental Data Ltd – www.funddata.com.

[3]Source: WM (World Markets)/Bloomberg. The benchmark is a composite comprising 85% FTSE 350 High Yield and 15% Merrill Lynch Sterling Corporate Bond Index.

Investment Manager's Report

Jamieson Streeter

Market background

The UK equity market showed more volatility over the second half of our financial year, although returns were modest again at 4.3% as measured by FTSE High yield index, slightly less than in the first half. Corporate bonds put in a very disappointing performance over the year with negative returns over the second half leading to a small negative return of -0.4% over the year. The total returns (including net income reinvested) for our benchmark indices, the FTSE High yield and the Merrill Lynch 5-10 year Sterling Corporate Bond indices, for the last 6, 12, 24 and 36 months are set out in the table below:

Total returns to 31st August 2007

Months	6	12	24	36
NAV Return	-2.9%	8.7%	25.9%	59.8%
Benchmark	3.4%	8.1%	21.2%	48.3%
FTSE High Yield	4.3%	9.6%	24.8%	55.2%
ML 5-10 Year Corp. Bonds	-1.9%	-0.4%	1.8%	12.8%

Source: JPMAM/Bloomberg/Fundamental Data

Portfolio Activity

The main feature of the first half was the rollover of JPMorgan Fleming Income & Growth Investment Trust, which occurred in December 2006. As we had 17% of the portfolio invested in this company at our last financial year end, consequently more activity was required in this period to restructure the portfolio. We elected to take out around £3m from our investment in capital shares in this company. For the remainder of our capital shares we elected to receive units in the new company and rolled our income shares into equivalent income shares. We then reinvested the £3m into other high yielding funds and slightly improved our revenue as a result. We also used this as an opportunity to continue the diversification of our fund holdings by asset type and geography. Funds which brought us more overseas exposure included JPMorgan European IT, European Assets and JZ Equity partners. We also added to our holdings in JPMorgan Income and Capital IT and ACP Mezzanine fund. Other funds which were purchased in this period which also helped to further diversify the portfolio included BNP US High Income (US large cap) and Summit Germany (German commercial property fund).

In UK equities we continued to seek out the best income stocks offering a combination of the value, growth and momentum characteristics that we seek when investing on your behalf. Additions of holdings in Anglo American, BT, Resolution and National Express were examples that met these requirements. Otherwise we added to existing attractive holdings such as Intermediate Capital, Investec and Cattles. This was funded by sales of larger, slower growing companies such as Scottish & Newcastle, Diageo, Pearson and HSBC.

In the second half of the year we continued to target attractive yield stocks in the equity portfolio. This meant we added new holdings in, for example, Davis Service Group, Friends Provident, Halfords, Taylor Wimpey and Vodafone. In addition to this, we added to what we thought were attractively valued stocks in the financial sector which included Amlin, Aviva and Royal Bank of Scotland. The funds for these purchases generally came from the mining sector – where yields had dropped after strong capital performance – the oil majors and HSBC, after a profits warning from their household operation in the US.

Investment Manager's Report continued

"The portfolio returned +8.7%, just ahead of our benchmark index which returned +8.1%. This out-performance was driven by our decision to continue to shun bonds in favour of equities and funds that could offer similar or better yields together with some prospect of income and capital growth, as these together provided stronger returns than bonds"

We switched out of UK focused property funds, Teesland and ING and added to our European property exposure. This was achieved via an addition to our holding in Summit Germany which invests in commercial property and by establishing a new holding in Speymill Deutsche Immobilen which invests in German residential property. Elsewhere we reduced some of our low or zero yield holdings in stocks such as Edinburgh Income zero dividend preference shares ('ZDPs') and JPMorgan Income & Capital IT ZDPs, where we felt ratings had got expensive, and took some profits in Ecofin Water and Power Opportunities ordinaries and Framlington Income & Capital shares after strong rises. We also realised a large profit in Blue Chip Value and Income Trust, which wound up at the end of its life. Some of these proceeds were spent on small additions to our existing holdings in M&G Income and New Star Absolute on reasonable discounts. In addition, we established new holdings in Jupiter Second Enhanced ordinaries and a new hedge fund offering P Source Structured Debt fund which invests across the capital structure in small cap companies in the US. This should offer us a 5% gross yield together with limited downside and the potential for capital growth with much lower levels of volatility than equities generally.

Portfolio Performance

The portfolio returned +8.7%, just ahead of our benchmark index which returned +8.1%. This out-performance was driven by our decision to continue to shun bonds in favour of equities and funds that could offer similar or better yields together with some prospect of income and capital growth, as these together provided stronger returns than bonds.

It was definitely a year of two halves as far as our performance was concerned. After a very strong out-performance in the first half we saw a run of under-performance in our second half as some of the factors that drove performance in the first half reversed. This included some of the large stocks and sectors such as the oil majors, BP and Royal Dutch Shell, and some of the telecommunications stocks such as Vodafone which make up a large part of our index. These stocks, where we had large underweight positions, boosted our performance in the first half, but detracted from it in the second half as they recovered, although we did buy into Vodafone close to its lows in the second half, nevertheless we remained underweight. The other sectors that hit our performance in the second half were banks, insurers and house builders, which all suffered as interest rates rose and a credit crunch developed over the summer. Shareholders should expect some volatility in performance relative to the benchmark as our equity benchmark, the FTSE High Yield Index, is very concentrated and we do not tie our stock selection to it too closely.

In relation to our holdings in investment companies, our large exposure to JPMorgan Income and Growth IT cost us some performance, as its returns disappointed in our second half, having boosted our first half results when the original company was wound up. The roll over of this company not only paid a better than expected dividend at that time, but we were also able to reinvest the £3m cash and further enhance our revenue. These factors, together with continued strong dividend growth from the rest of the portfolio, enabled us to announce a good rise in the underlying dividend, together with a special dividend for the year, which meant that shareholders saw a large increase in their total dividend this year.

Outlook

Equity markets appear to have regained their composure since late August, helped by the prospect of decent global GDP and corporate earnings growth this year, as well as a reduction in interest rate expectations caused by the problems affecting the financial sector. However, the immediate future is unlikely to be pain-free and over the coming weeks we may well see further volatility in the financial sector, destabilising equity markets as a result. We have probably not yet seen the full damage that has been caused by the combination of higher borrowing costs and asset backed losses.

In addition, we do not expect the real economy to have escaped totally from events in the financial sector. Certainly, the prospect of interest rates stabilising in Europe and being cut in the US is attractive and is a much more benign outlook than we had a month ago. But higher short term borrowing costs will affect corporate profitability and capital expenditure plans, while new leveraged buy out activity is likely to be put on hold while investment banks and investors negotiate over the existing pipeline of business.

For Managed Income, in UK equities we will continue to focus on good value companies that offer high, well covered dividend yields together with the prospects of dividend growth. While in the fund part of the portfolio we will continue to select funds that can offer us high dividend yields, some gearing into markets and some downside protection. We would also hope to achieve some dividend growth from this part of the portfolio. However, having said that we will be weighing up the defensive attractions of high quality bonds, in the event that the recent financial turmoil has a greater effect on economies than is currently expected.

Jamieson Streeter
Investment Manager

31st October 2007

Ten Largest Investments

Company	As at 31st August 2007 Valuation £'000	%[1]	As at 31st August 2006 Valuation £'000	%[2]
JPMorgan Income & Growth Investment Trust plc (Income shares & Units)[3]	8,095	12.8	–	–
HBOS	2,382	3.8	2,717	4.4
JPMorgan Income & Capital Investment Trust plc (Ordinary & Zero Dividend Preference shares)	2,257	3.6	1,747	2.8
HSBC	2,098	3.3	2,859	4.6
Vodafone[3]	1,980	3.1	–	–
Royal Dutch Shell	1,934	3.0	3,044	4.9
Royal Bank of Scotland	1,894	3.0	1,274	2.1
Barclays	1,796	2.8	1,925	3.1
BP	1,672	2.6	2,734	4.4
JPMorgan European Investment Trust plc (Income shares)[3]	1,620	2.6	590	1.0
Total	25,728	40.6		

[1]Based on total assets less current liabilities of £63.4m.

[2]Based on total assets less current liabilities of £62.3m.

[3]Not included in the ten largest investments at 31st August 2006.

As at 31st August 2006, the value of the ten largest investments amounted to £28.2m representing 45.3% of total assets less current liabilities.

Sector Analysis

	As at 31st August 2007 Portfolio %	Benchmark %	As at 31st August 2006 Portfolio %	Benchmark %
Investment Trusts	49.1	–	43.9	–
Financials	21.1	30.9	23.1	32.7
Oil & Gas	5.7	21.6	9.3	23.2
Utilities	5.7	4.2	6.3	6.5
Telecommunications	5.4	10.3	–	8.1
Consumer Goods	5.3	3.5	6.7	7.3
Consumer Services	3.1	2.4	4.7	5.0
Industrials	2.0	1.5	1.9	2.2
Basic Materials	–	–	0.5	–
Fixed Interest	–	15.0	1.0	15.0
Healthcare	–	10.3	1.4	–
Technology	–	0.3	–	–
Net current assets	2.6	–	1.2	–
Total	100.0	100.0	100.0	100.0

Based on total assets less current liabilities of £63.4m (2006: £62.3m).

List of Investments

at 31st August 2007

Company	Valuation £'000
UK Equities	
HBOS	2,382
HSBC	2,098
Vodafone	1,980
Royal Dutch Shell	1,934
Royal Bank of Scotland	1,894
Barclays	1,796
BP	1,672
BT	1,420
Aviva	1,203
Investec	1,162
National Grid Transco	1,139
Cattles	1,112
Northern Rock	891
Barratt Developments	835
British American Tobacco	822
Pennon	820
Intermediate Capital	802
Taylor Wimpey	779
Halfords	730
Scottish & Southern Energy	708
Legal & General	689
Davis Service Group	661
Hiscox	647
Friends Provident	644
Hays	636
Yell	631
William Hill	615
Amlin	610
Bovis Homes	553
Kelda	489
ACP Capital	452
Northumbrian Water	432
Imperial Tobacco	385
	34,710

Company	Valuation £'000
JPMorgan Managed Investment Trusts	
JPMorgan Income & Growth (Income 2016)	5,443
JPMorgan Income & Capital (Ordinary 2008)	2,257
JPMorgan Income & Growth (Units 2016)	2,142
JPMorgan European (Income)	1,620
JPMorgan Income & Growth (Capital 2016)	510
	11,972
Externally Managed Investment Trusts	
Investec High Income (Ordinary 2009)	1,100
Schroder Split Investment (Ordinary)	1,040
Summit Germany	1,006
JZ Equity Partners (Ordinary 2009)	1,000
ACP Mezzanine Limited (Ordinary)	970
European Assets (Ordinary)	967
Edinburgh New Income (Ordinary)	877
Small Companies Dividend (Ordinary)	746
New Star Absolute Return (Income)	655
Henderson Far East Income (Ordinary)	640
BNP Paribas US High Income	630
Acencia Debt Strategies (Ordinary)	622
Psource Structured Debt (Ordinary)	600
Ecofin Water & Power Opportunities (Ordinary 2009)	588
Invesco Perpetual Recovery (Ordinary 2011)	570
Aberforth Geared Capital & Income (Income 2011)	565
Rugby Estates (Ordinary)	558
Speymill Deutsche Immobilien	533
BNP Paribas UK High Income Preference	530
Framlington Income & Capital (Capital 2008)	496
New Star Financial Opportunities (Ordinary 2007)	350
M&G Income (Ordinary)	331
US Special Opportunities (Income)	317
Jupiter Second Enhanced (Income)	273
M&G Income (Unit)	226
	15,103
Total Portfolio	**61,785**

Shareholder Analysis

at 31st August 2007

	Number of shares	% Holding
Unit Trusts	68,617	0.1
Pensions	12,532	0.0
UK Government	10,033	0.0
Other Institutions	73,897	0.1
Total Institutions	165,079	0.2
Individuals in the Investment Trust Share Plan[1]	26,805,013	48.1
Private Client Brokers	19,369,389	34.8
Retail Investors holding shares directly or through nominee accounts[2]	4,461,606	8.0
Individuals in the Investment Trust Personal Equity Plan[1]	2,643,352	4.7
Individuals in the Investment Trust Individual Savings Account[1]	1,252,368	2.3
Individuals in the Investment Trust Pension Account[1]	1,063,612	1.9
Total Retail	55,595,340	99.8
Total Shares in Issue	55,760,419	100.0

Nominee accounts have been allocated to their appropriate category.

[1]Savings product managed by JPMorgan.

[2]Includes shares below 10,000 threshold.

Source: Thomson Financial.

Income Statement

(Unaudited)
for the year ended 31st August 2007

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Gains from investments held at fair value through profit or loss	–	2,707	2,707	–	6,690	6,690
Income from investments	3,081	–	3,081	2,633	–	2,633
Other interest receivable and similar income	180	–	180	26	–	26
Gross return	3,261	2,707	5,968	2,659	6,690	9,349
Management fee	(203)	(203)	(406)	(185)	(185)	(370)
Other administrative expenses	(94)	–	(94)	(91)	–	(91)
Net return on ordinary activities before taxation	2,964	2,504	5,468	2,383	6,505	8,888
Taxation	(67)	61	(6)	43	–	43
Net return on ordinary activities after taxation	2,897	2,565	5,462	2,426	6,505	8,931
Return per Managed Income share	5.12p	4.53p	9.65p	4.23p	11.33p	15.56p

MANAGED INCOME

Balance Sheet

(Unaudited)
at 31st August 2007

	2007 £'000	2006 £'000
Fixed assets		
Investments at fair value through profit or loss	61,785	61,583
Current assets		
Debtors	626	449
Cash and short term deposits	1,059	427
	1,685	876
Creditors: amounts falling due within one year	(26)	(112)
Net current assets	1,659	764
Total assets less current liabilities	63,444	62,347
Total net assets	63,444	62,347
Net asset value per Managed Income share	113.8p	108.7p

Financial Results

Total Returns (capital plus income)

Managed Cash Share Class

+5.1%
Return to shareholders[1]
(2006: +3.7%)

+4.2%
Return on net assets[2]
(2006: +3.8%)

MANAGED CASH

Financial Data

	31st Aug 2007	31st Aug 2006	% Change
Total net assets (£'000)	25,953	28,094	–7.6
Number of shares in issue	25,605,165	27,777,834	–7.8
Net asset value per share	101.4p	101.1p	+0.3
Share price	100.0p	99.0p	+1.0
Share price discount to net asset value	1.4%	2.1%	
Total expense ratio	0.12%	0.15%	

A glossary of terms and definitions is provided on page 67.

[1]Source: Standard & Poor's – www.funds.morningstar.com.

[2]Source: Fundamental Data Ltd – www.funddata.com.

Investment Managers' Report

Jonathan Lowe

Katy Thorneycroft

Portfolio Activity

The mandate of the Managed Cash portfolio is to invest in a diversified range of sterling liquidity funds which have been selected on the basis of their credit rating (all AAA), their yields and the competitive natures of their management fees. The investment guidelines state that there should be at least six funds held, with the maximum exposure to any one fund being limited to 20% of the portfolio. In extremis, the portfolio can hold up to 30% of its assets in cash deposits, but under normal circumstances we would expect to be fully invested in liquidity funds.

All funds held are domiciled outside of the United Kingdom so that income is received gross of withholding tax. The share class held in all cases is the distributing share class, which are all priced at £1 per share. Income is paid out either monthly or quarterly according to the terms of the fund. The underlying funds invest their assets in a mix of time deposits, certificates of deposit, commercial paper and floating rate notes according to each manager's strategy and tend to keep the weighted average maturity of their portfolio at between 20 and 50 days. At the end of August the average maturity of our seven fund holdings was around 35 days although there were funds at both the upper and lower ends of this range.

Given the extreme stress experienced in the money markets in August and September it is worth emphasising that all our funds remain at their stable value levels and have suffered no impairment to their capital. Although some funds do invest in asset backed securities they have not suffered any valuation mark-downs as a result of their exposures. Moreover, the monthly returns achieved by these funds in August and September have come in as expected. Although some liquidity funds have been impacted by their exposure to structured debt securities, we have been protected from this by the "plain vanilla" nature of our holdings. Although we seek to obtain a competitive return from our portfolio of funds, preservation of capital is our principal investment objective.

Jonathan Lowe
Katy Thorneycroft
Investment Managers

31st October 2007

List of Investments

at 31st August 2007

Company	Yield %[1]	Rating[2]	At 31st August 2007 Valuation £'000	%[3]	At 31st August 2006 Valuation £'000	%[4]
Insight Sterling Liquidity Fund	5.34	AAA	5,062	19.5	4,685	16.7
Fidelity Institutional Sterling Cash Fund	5.32	AAA	4,919	19.0	4,973	17.7
Standard Life Sterling Liquidity Fund	5.35	AAA	4,715	18.2	4,685	16.7
Barclays Global Investors Sterling Liquidity Fund	5.33	AAA	4,715	18.2	4,685	16.6
Citi Institutional Sterling Liquidity Fund	5.30	AAA	3,805	14.6	–	–
Royal Bank of Scotland Sterling Global Treasury Fund	5.27	AAA	2,801	10.8	4,685	16.7
JPMorgan Sterling Liquidity Fund	5.28	AAA	301	1.1	–	–
Total			**26,318**	**101.4**		

[1] 1 year returns to 31st August 2007. Source: IMMFA Money Fund Report, iMoneyNet.

[2] Ratings given by recognised credit agencies.

[3] Based on total assets less current liabilities of £26.0m.

[4] Based on total assets less current liabilities of £28.1m.

MANAGED CASH

MANAGED CASH

Portfolio Analysis

	As at 31st August 2007 %	As at 31st August 2006 %
Sterling Liquidity Funds	101.4	101.1
Net current liabilities	(1.4)	(1.1)
Total	100.0	100.0

Based on total assets less current liabilities of £26.0m (2006: £28.1m).

Shareholder Analysis

at 31st August 2007

	Number of shares	% Holding
Retail Investors holding shares directly or through nominee accounts[1]	14,642,536	57.2
Individuals in the Investment Trust Share Plan[2]	8,406,005	32.8
Private Client Brokers	2,413,036	9.4
Individuals in the Investment Trust Individual Savings Account[2]	76,150	0.3
Individuals in the Investment Trust Personal Equity Plan[2]	67,438	0.3
Total Retail	25,605,165	100.0
Total Shares in Issue	25,605,165	100.0

Nominee accounts have been allocated to their appropriate category.

[1]Includes shares below 10,000 threshold.

[2]Savings product managed by JPMorgan.

Source: Thomson Financial.

Income Statement

(Unaudited)
for the year ended 31st August 2007

	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Losses from investments held at fair value through profit or loss	–	(1)	(1)	–	–	–
Income from investments	1,439	–	1,439	1,177	–	1,177
Other interest receivable and similar income	1	–	1	2	–	2
Gross return/(loss)	1,440	(1)	1,439	1,179	–	1,179
Other administrative expenses	(32)	–	(32)	(40)	–	(40)
Net return/(loss) on ordinary activities before taxation	1,408	(1)	1,407	1,139	–	1,139
Taxation	(339)	–	(339)	(190)	–	(190)
Net return/(loss) on ordinary activities after taxation	1,069	(1)	1,068	949	–	949
Return per Managed Cash share	3.98p	–	3.98p	3.65p	–	3.65p

MANAGED CASH

Balance Sheet

(Unaudited)
at 31st August 2007

	2007 £'000	2006 £'000
Fixed assets		
Investments at fair value through profit or loss	26,318	28,398
Current assets		
Debtors	140	110
Cash and short term deposits	235	10
	375	120
Creditors: amounts falling due within one year	(740)	(424)
Net current liabilities	(365)	(304)
Total assets less current liabilities	25,953	28,094
Total net assets	25,953	28,094
Net asset value per Managed Cash share	101.4p	101.1p

Board of Directors

Ken Culley CBE (Chairman)
A Director since 1999

Chairman of 1st Credit Limited and Marks & Spencer Financial Services plc, Director of Brit Insurance Holdings plc. Formerly Chief Executive of the Portman Building Society, past Chairman of the Building Societies Association and Deputy President of the International Union of Housing Finance Institutions. Previously a Non-Executive Director of JPMorgan Fleming Managed Income plc.

Simon Miller (Deputy Chairman)
A Director since 2004

Chairman of Dunedin Capital Partners Limited. Mr Miller is also Chairman of Artemis Alpha Trust and Noble AIM VCT and a Non-Executive Director of Dunedin Enterprise Investment Trust plc, Adam & Company plc 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.

Robert Ottley
A Director since 2004

Chairman of The Zero Preference Growth Trust plc and a Director of Atlantis Asian Recovery Fund plc. Formerly Senior Investment Director, Investment Management, at HSBC Investment Management (formerly James Capel & Co), where he specialised in the selection of investment trusts and other collective investment schemes. Previously a Non-Executive Director of JPMorgan Fleming Managed Income plc, Greenwell Montagu Stockbrokers and a partner in W Greenwell & Co.

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 2007.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st August 2006. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 842 of the Income and Corporation Taxes Act 1988 each year.

Approval for the year ended 31st August 2006 is subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 266 of the Companies Act 1985. The Company is not a close company for taxation purposes.

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 8, 15 to 17 and 24.

Managed Growth

Investment Objectives

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 JPMorgan.

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, with approximately 50% of the portfolio in the UK and the balance 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 companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

– An investment in any open-ended fund will not exceed 25% of the size of that fund.

– Investment in third party managed funds will not normally exceed 25% of the portfolio's assets.

– The portfolio will not normally invest in derivative instruments – prior approval is required from the Board if such an investment is desired.

– Gearing, the Board does not intend to utilise borrowings to increase the funds available for investment, the portfolio 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%.

Managed Income

Investment Objectives

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, higher yielding shares of investment trusts and fixed income securities, with the flexibility to move between equities and bonds to achieve the most attractive risk-adjusted yield throughout the market cycle.

Investment Policies and Risk Management

In order to achieve its stated investment policy and manage investment risks, the Managed Income portfolio is invested approximately 85% in a diversified portfolio of high yielding UK equities and approximately 15% in a range of fixed interest securities. The number of investments in the portfolio will normally range between 50 and 70.

Investment Limits and Restrictions

– The portfolio does not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of their gross assets in UK listed investment companies.

– The portfolio will not normally invest in unlisted securities.

– The portfolio will be invested between 70-100% in equities.

– 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.

Managed Cash

Investment Objectives

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 liquidity funds, selected for their yield and credit rating.

Investment Policies and Risk Management

In order to achieve its stated investment policy and manage investment risks, the Managed Cash portfolio invests no more than 20% of the value of the portfolio in any one liquidity fund. All liquidity funds have a AAA rating.

Investment Limits and Restrictions

– No more than 20% of the value of the portfolio to be invested in any one liquidity fund.

– The portfolio's assets will only be invested in liquidity funds with a AAA rating.

– 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.

Performance

Managed Growth:

In the year to 31st August 2007, the Managed Growth portfolio produced a total return to shareholders of +11.6% and a total return on net assets of +14.0%. This compares with the return on the composite benchmark of +12.0%. As at 31st August 2007, the value of the Managed Growth investment portfolio was £190.5m. The Investment Managers' Report on pages 5 to 8 includes a review of developments during the year as well as information on investment activity within the Managed Growth portfolio.

Managed Income:

In the year to 31st August 2007, the Managed Income portfolio produced a total return to shareholders of +6.9% and a total return on net assets of +8.7%. This compares with the return on the composite benchmark of +8.1%. As at 31st August 2007, the value of the Managed Income investment portfolio was £61.8m. The Investment Manager's Report on pages 15 to 17 includes a review of developments during the year as well as information on investment activity within the Managed Income portfolio.

Managed Cash:

In the year to 31st August 2007, the Managed Cash portfolio produced a total return to shareholders of +5.1% and a total return on net assets of +4.2%. There is no benchmark index for this share class. As at 31st August 2007, the value of the Managed Cash investment portfolio was £26.3m. The Investment Managers' Report on page 24 provides information on investment activity within the Managed Cash portfolio.

Total Return, Revenue and Dividends

The Company's gross total return for the year totalled £33,172,000 (2006: £47,699,000) and net total return after deducting interest, administrative expenses and taxation amounted to £31,516,000 (2006: £46,426,000).

Managed Growth:

Net revenue return for the year available for distribution by way of dividend amounted to £2,549,000 (2006: £2,830,000). Total dividends paid and proposed in respect of the year are 5.25p per share (2006: 5.20p per share), costing £2,611,000 (2006: £2,743,000). A first interim dividend of 1.00p (2006: 2.00p) was paid on 20th December 2006. A second interim dividend of 1.30p (2006: 0.60p) was paid on 15th June 2007. A third interim dividend of 1.35p was also paid on 15th June 2007. The Directors have declared a fourth interim dividend of 1.60p (2006: 2.60p) payable on 14th December 2007 to shareholders on the register at the close of business on 23rd November 2007, costing £774,000. The balance on the revenue reserve at the year end is £1,479,000 (2006: £2,108,000) and after the transfer of the final dividend (2006: third interim) will be £705,000 (2006: £756,000).

Managed Income:

Net revenue return for the year available for distribution by way of dividend amounted to £2,897,000 (2006: £2,426,000). Total dividends paid and proposed in respect of the year were 5.12p per share (2006: 3.75p per share), costing £2,887,000 (2006: £2,154,000). The balance on the revenue reserve at the year end is £1,593,000 (2006: £1,255,000) and after payment of the fourth quarter dividend and the special dividend declared, is £835,000 (2006: £824,000).

Managed Cash:

Net revenue return for the year available for distribution by way of dividend amounted to £1,069,000 (2006: £949,000). Total dividends paid and proposed in respect of the year were 3.93p per share (2006: 3.73p per share), costing £1,043,000 (2006: £960,000). The balance on the revenue reserve at the year end is £296,000 (2006: £269,000) and after payment of the fourth quarter dividend is £35,000 (2006: £8,000).

Directors' Report continued

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:

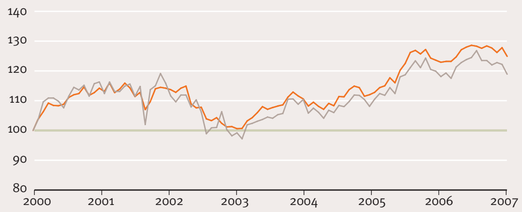
- **Performance against the benchmark index:**

This is the most important KPI by which performance is judged.

Managed Growth:

Performance Relative to Benchmark Index

Figures have been rebased to 100 as at 30th November 1999

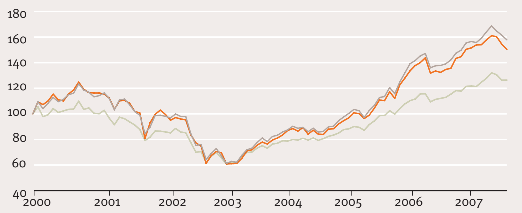


JPMorgan Elect Managed Growth – Share price total return
JPMorgan Elect Managed Growth – Net asset value total return per share
The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/FTSE

Performance Since Launch

Figures have been rebased to 100 as at 30th November 1999



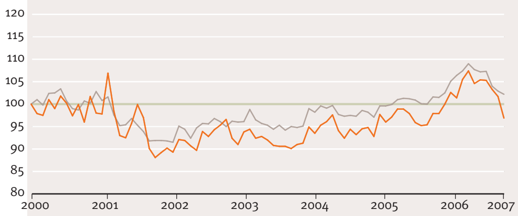
JPMorgan Elect Managed Growth – Share price total return
JPMorgan Elect Managed Growth – Net asset value total return per share
65% FTSE All-Share Index and 35% FTSE World Index (ex-UK) – total return

Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/FTSE

Managed Income:

Performance Relative to Benchmark Index

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

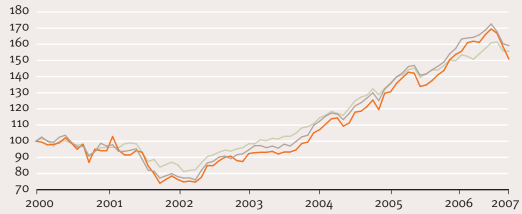


JPMorgan Elect Managed Income – Share price total return
JPMorgan Elect Managed Income – Net asset value total return per share
The benchmark index is represented by the grey horizontal line

Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/FTSE

Performance Since Launch

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



JPMorgan Elect Managed Income – Share price total return
JPMorgan Elect Managed Income – Net asset value total return per share
85% FTSE 350 High Yield Index and 15% Merrill Lynch Sterling Corporate Bond Index – total return

Source: Standard & Poor's - www.funds.morningstar.com/Fundamental Data - www.funddata.com/FTSE

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 relative to the benchmark. The principal objective of the Managed Income share class is to achieve growing income plus capital growth relative to the benchmark. However, the Board also monitors the performance of the Managed Growth and Managed Income share classes relative to a broad range of competitor funds.

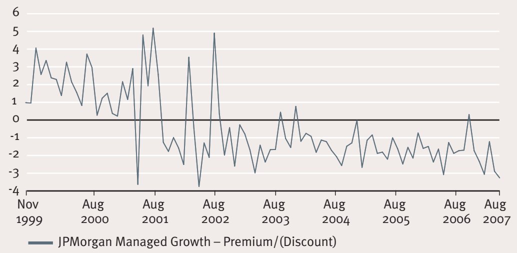
- **Performance attribution**

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 stock selection and sector allocation. However, given that the two portfolios are 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 active share issue and repurchase programmes which seek to address imbalances in the supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade.

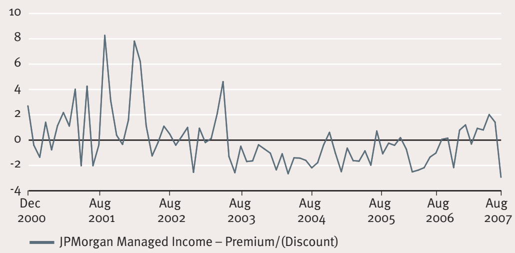
Managed Growth – Discount Performance



Source: Fundamental Data Ltd

In the year to 31st August 2007, Managed Growth shares traded between a premium of 0.3% and a discount of 3.6%.

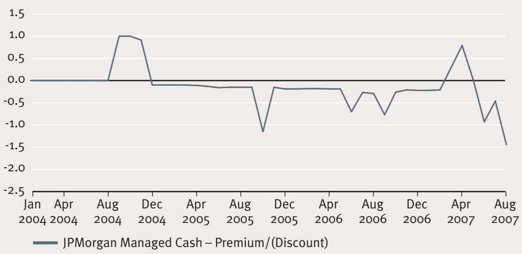
Managed Income – Discount Performance



Source: Fundamental Data Ltd

In the year to 31st August 2007, the Managed Income shares traded between a premium of 2.0% and a discount of 4.2%.

Managed Cash – Discount Performance



Source: Fundamental Data Ltd

In the year to 31st August 2007, the Managed Cash shares traded between a premium of 0.8% and a discount of 1.4%.

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

The total expense ratio ('TER') is an expression of the Company's management fees and all other operating expenses, but excluding interest payments as a percentage of the average of the opening and closing net assets over the year. The Managed Growth TER for the year ended 31st August 2007 was 0.44% (2006: 0.41%), the Managed Income TER was 0.79% (2006: 0.79%) and the Managed Cash TER was 0.12% (2006: 0.15%). The Board reviews each year an analysis which shows a comparison of each portfolio's TER and its main expenses with those of its peers.

Share Capital

- **Share issues**

The Company did not issue any shares during the year. Issues are only made at a premium to net asset value, thereby enhancing net asset value and benefiting existing shareholders.

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

- **Share repurchases**

The Company repurchased a total of 3,390,000 Managed Growth shares in the market for cancellation during the year, representing 6.5% of the shares in issue at the beginning of the year, at a total cost of £13,426,000. Since the Company's year end a further 470,000 Managed Growth shares have been repurchased for cancellation, at a total cost of £1,869,000.

The Company repurchased a total of 1,448,662 Managed Income shares in the market for cancellation during the year, representing 2.5% of the shares in issue at the beginning of the year, at a total cost of £1,612,000. Since the Company's year end a further 100,000 Managed Income shares have been repurchased for cancellation, at a total cost of £109,000.

The Company repurchased a total of 1,940,213 Managed Cash shares in the market for cancellation during the year, representing 7.0% of the shares outstanding at the beginning of the year, at a total cost of £2,023,000. Since the Company's year end a further 100,000 Managed Cash shares have been repurchased for cancellation, at a total cost of £99,000.

Resolutions to renew the Company's authority to issue and repurchase Managed Growth, Managed Income and Managed Cash shares will be put to shareholders for approval at the forthcoming Annual General Meeting as detailed on pages 65 and 66.

- **Conversions**

The Company's capital structure allows shareholders the opportunity, twice 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

Directors' Report continued

law, as a disposal for UK capital gains tax purposes. More details are given on page 63.

During the year two conversions took place, on 1st December 2006 and on 1st June 2007. The net result of those conversions was a reduction in the Managed Growth and Managed Income issued share capital of 234,142 and 159,176 shares respectively, and an increase in the Managed Cash issued share capital of 1,171,724 shares. In addition, a total of 1,404,180 Managed Cash shares were repurchased on the two conversion dates at a total cost of £1,401,000.

Principal Risks

With the assistance of the Manager and Secretary, JPMorgan Asset Management (UK) Limited, 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 indirect 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 manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The 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.
- Market: Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of indirect gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the Investment process with the Investment Managers.
- Accounting, Legal and Regulatory: In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ('Section 842'). Details of the Company's approval are given under "Business of the Company" above. Should the Company breach Section 842, it could lose investment trust status and as a consequence gains within the Company's portfolios would be subject to Capital Gains Tax. The Section 842 qualification criteria are continually monitored by JPMAM and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 1985 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules might result in the Company's shares being suspended from listing which in turn would breach Section 842. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 1985 and the UKLA Listing Rules.
- Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 37 to 40.
- Operational: Disruption to, or failure of JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on page 39.
- Financial: The financial risks faced by the Company are disclosed in note 19 on pages 61 and 62.

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 given potential future developments. The Investment Managers discuss the outlook in their reports.

Management

The Manager and Secretary, JPMorgan Asset Management (UK) Limited ('JPMAM') is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodian services to the Company.

The Board has evaluated the performance of the Manager and confirms that it is satisfied that the continuing appointment of the Manager is in the interests of shareholders as a whole. In arriving at this view, the Board has reviewed the performance of the Investment Managers, their investment style and process, resources and risk control procedures. It also reviewed the administrative support provided by JPMAM.

Management Fee

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.

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

– Managed Growth and Managed Income assets: 0.3% per annum on assets invested in JPMorgan managed funds and 0.6% on assets invested in externally managed funds and direct investments;

– Managed Cash assets: no management fee charged.

Going Concern

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

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 31st August 2007, the Company had no outstanding trade creditors (2006: none).

Directors

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

Since the year end, Ken Culley has notified a further beneficial interest of 69 Managed Income shares, Robert Ottley, 366 Managed Income shares and Simon Miller, 251 Managed Income shares. Following the year end, Mr Culley sold his entire holding of Managed Growth shares.

In accordance with the Company's Articles of Association, Simon Miller and Robert Ottley retire by rotation at the forthcoming AGM. Being eligible they offer themselves for re-election. Ken Culley will retire from the Board at the conclusion of the AGM.

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

Disclosure of information to Auditors

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

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

(b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information 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 234 ZA of the Companies Act 1985.

	31st August 2007			1st September 2006		
Directors	Managed Growth Shares	Managed Income Shares	Managed Cash Shares	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Ken Culley	31,930	5,807	—	27,008	44,024	—
Simon Miller	—	21,114	—	—	20,338	—
Robert Ottley	30,119	30,865	—	29,754	29,960	—
Nigel Sidebottom	6,679	—	—	6,679	—	—

THE COMPANY

Corporate Governance

Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Managed Growth:		
Puddledock Nominees Ltd[1]	18,620,385	38.8
Forest Nominees Ltd[2]	13,585,953	28.3
Managed Income:		
Puddledock Nominees Ltd[1]	30,729,398	55.5
Newton Investment Management Ltd	2,804,256	5.0
Managed Cash:		
Butterfield Bank (UK) Limited	8,607,112	33.7
Puddledock Nominees Ltd[1]	8,558,824	33.5
Barclays plc	2,174,718	8.5
The Royal Bank of Scotland Group plc	1,320,481	5.1

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

[2]Held on behalf of JPMAM Pension participants.

Independent Auditors

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

Registrars

Lloyds TSB Group plc completed the sale of the Lloyds TSB Registrars business to Advant International, a global private equity firm, on 30th September 2007. Equinity Limited, ('Equinity') is now the new name for the Company's share registrar.

Annual General Meeting

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 6 and 7)

The Companies Act 1985 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 6 and 7 in the Notice of Meeting on page 65 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 £722 representing 4,789,611 Managed Growth shares, 5,566,042 Managed Income shares and 2,550,517 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 8)

At the Annual General Meeting of the Company held on 15th December 2006 shareholders gave authority to the Board to repurchase up to 14.99 per cent 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. The authority for all three share classes will last until the Company's Annual General Meeting in 2008 unless renewed at any other general meeting prior to such time. The full text of the resolution is set out in the Notice of Meeting on pages 65 and 66. 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 9)

This resolution gives the Company authority to buy its Managed Cash shares, Repurchase shares and Deferred shares arising on conversion of any of the ordinary shares into another class of ordinary shares. This resolution follows the requirements of Sections 164 and 165 of the UK Companies Act 1985. 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.

By order of the Board
A C Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
31st October 2007

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 42, indicates how the Company has applied the principles of good governance of the 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, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

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

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

There is an agreed procedure for Directors to take independent professional advice 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 Ken Culley, consists of four 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 29.

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 at present. However, the Deputy Chairman leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be 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. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board takes into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its committees.

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.

As a result of the Board's evaluation process described below, it confirms that Simon Miller and Robert Ottley, who retire by rotation at this year's Annual General Meeting, continue to be effective Directors and demonstrate commitment to the role and the Board recommends their re-election.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. All Directors are members of each committee.

The table opposite details the number of Board, Audit Committee and Nomination Committee meetings attended by each Director. During the year there were five Board meetings, including a private meeting of the Directors to evaluate the Manager and a separate meeting devoted to strategy, two Audit Committee meetings and one Nomination Committee meeting.

Corporate Governance continued

Director	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended
Ken Culley	5	2	1
Simon Miller	5	2	1
Robert Ottley	5	2	1
Nigel Sidebottom	5	2	1

Training and Appraisal

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

The Board has agreed procedures for the formal evaluation of the Manager, its own performance and that of its committees and individual Directors. Questionnaires, drawn up 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.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Ken Culley, 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 when necessary for appointment. A variety of sources, including the use of external search consultants, may be used to ensure that a wide range of candidates are considered.

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

Audit Committee

The 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 Committee and are satisfied that at least one member has recent and relevant financial experience.

The Committee reviews the actions and judgements of the Manager in relation to the interim and annual financial statements and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's Compliance department and reviews the scope and results of the external audit, its cost effectiveness, the level of any non audit fees paid to the auditors and the independence and objectivity of the external auditors; in the Directors' opinion, the auditors are independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and financial statements are considered. The Directors' statement on the Company's system of internal control is set out on page 39.

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 and for inspection 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 twice a year by way of the Annual Report and Accounts and the Interim Report. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet with and answer shareholders' questions. In addition, 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 64.

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 write to the Company Secretary at the address shown on page 64. Details of the proxy voting position on each Resolution will be published on the Company web site 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 mis-statement 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. This arrangement is kept under review. The key elements designed to provide effective internal control are as follows:

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

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

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

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

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

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

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 31st August 2007, 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 statement on corporate governance and voting policy which has been noted by the Board. The full policy is available from JPMAM on request, or can be downloaded from www.jpmorgan.com:

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

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

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

Corporate Governance continued

Corporate Social Responsibility

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

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

Directors' Remuneration Report

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

The law requires the Company's auditors to audit certain of the disclosures contained within this report. Where disclosures have been audited they are indicated as such. The auditors' opinion is included in their report on page 43.

Directors' fees were last increased on 1st July 2006 and for the year under review they were paid at a fixed rate of £30,000 for the Chairman, £22,000 for the Chairman of the Audit Committee and £20,000 for the other Directors.

Directors' Remuneration
(Audited Information)

Director's Name	2007 £	2006 £
Ken Culley	30,000	25,625
Simon Miller	20,000	18,250
Nigel Sidebottom	22,000	20,250
Robert Ottley	20,000	18,250
Total	92,000	82,375

The total Directors' fees of £92,000 (2006: £82,375) comprise £70,000 (2006: £62,125) in respect of aggregate emoluments paid to Directors and £22,000 paid to a third party for making available the services of one Director (2006: £20,250, one Director).

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.

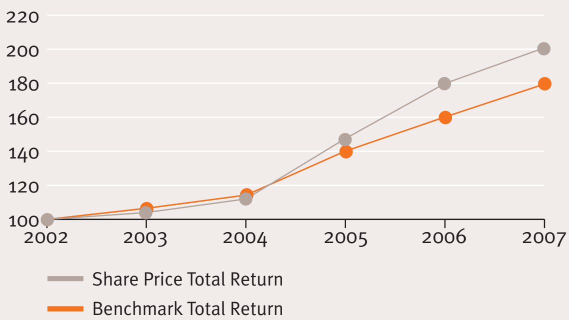
As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate. Reviews are based on information provided by the Manager, JPMAM, and relevant 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 Company's Articles of Association stipulate that aggregate fees must not exceed £200,000 per annum. Any increase in the maximum aggregate amount requires both Board and shareholder approval. The Directors do not have service contracts with the Company.

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

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.

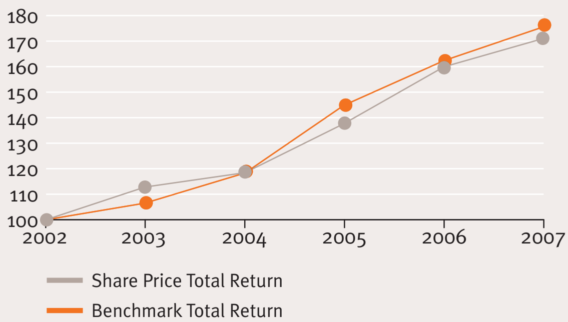
By order of the Board
A C Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited
Secretary
31st October 2007

Managed Growth – Five year share price and benchmark total return to 31st August



Source: FTSE/Standard & Poors - www.funds.morningstar.com

Managed Income – Five year share price and benchmark total return to 31st August



Source: World Markets/Bloomberg/Standard & Poor's - www.funds.morningstar.com

THE COMPANY

Directors' Responsibilities in Respect of the Accounts

Company law requires the Directors to prepare accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company as at the end of the year and of the net return for the year.
In preparing those accounts, the Directors are required to:

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

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

The accounts are published on the www.jpmorganassetmanagement.co.uk website, which is maintained by the Company's Investment Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM.

Independent Auditors' 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 2007 which comprise the Income Statement, Reconciliation of Movements in Shareholder's Funds, Balance Sheet, Cash Flow Statement and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and Auditors

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31st August 2007 and of its net return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

ERNST & YOUNG LLP
Registered Auditor
London 31st October 2007

Income Statement

for the year ended 31st August 2007

	Notes	2007 Revenue £'000	2007 Capital £'000	2007 Total £'000	2006 Revenue £'000	2006 Capital £'000	2006 Total £'000
Gains from investments held at fair value through profit or loss	2	–	25,453	25,453	–	40,718	40,718
Income from investments	3	7,259	–	7,259	6,549	–	6,549
Other interest receivable and similar income	3	460	–	460	432	–	432
Gross return		7,719	25,453	33,172	6,981	40,718	47,699
Management fee	4	(324)	(567)	(891)	(290)	(497)	(787)
Other administrative expenses	5	(494)	–	(494)	(447)	–	(447)
Net return on ordinary activities before taxation		6,901	24,886	31,787	6,244	40,221	46,465
Taxation	6	(386)	115	(271)	(39)	–	(39)
Net return on ordinary activities after taxation		6,515	25,001	31,516	6,205	40,221	46,426
Return per share:							
Managed Growth	8	5.06p	44.58p	49.64p	5.23p	62.31p	67.54p
Managed Income	8	5.12p	4.53p	9.65p	4.23p	11.33p	15.56p
Managed Cash	8	3.98p	–	3.98p	3.65p	–	3.65p

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

The "Total" column of this statement is the profit and loss account of the Company and the "Revenue" and "Capital" columns represent supplementary information. The "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 48 to 62 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

for the year ended 31st August 2007

	Called up share capital £'000	Share premium £'000	Other reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31st August 2005	24	43,045	203,459	222	3,097	249,847
Adjustment to opening shareholders' funds at 1st September 2005 to reflect the adoption of bid prices	–	–	–	(1,047)	–	(1,047)
Shares bought back and cancelled	–	–	(10,919)	–	–	(10,919)
Share conversions during the year	–	11,722	(11,722)	–	–	–
Total return from ordinary activities	–	–	–	40,221	6,205	46,426
Dividends appropriated in the year	–	–	–	–	(5,670)	(5,670)
At 31st August 2006	24	54,767	180,818	39,396	3,632	278,637
Shares bought back and cancelled	–	–	(18,462)	–	–	(18,462)
Share conversions during the year	–	3,094	(3,094)	–	–	–
Total return from ordinary activities	–	–	–	25,001	6,515	31,516
Dividends appropriated in the year	–	–	–	–	(6,780)	(6,780)
At 31st August 2007	24	57,861	159,262	64,397	3,367	284,911

The notes on pages 48 to 62 form an integral part of these accounts.

Balance Sheet

as at 31st August 2007

	Notes	2007 Growth £'000	2007 Income £'000	2007 Cash £'000	2007 Total £'000	2006 Total £'000
Fixed assets						
Investments at fair value through profit or loss	9	190,499	61,785	26,318	278,602	268,806
Current assets	10					
Debtors		1,684	626	140	2,450	1,427
Cash and short term deposits		4,007	1,059	235	5,301	11,115
		5,691	1,685	375	7,751	12,542
Creditors: amounts falling due within one year	11	(676)	(26)	(740)	(1,442)	(2,711)
Net current assets/(liabilities)		5,015	1,659	(365)	6,309	9,831
Total assets less current liabilities		195,514	63,444	25,953	284,911	278,637
Total net assets		195,514	63,444	25,953	284,911	278,637
Capital and reserves						
Called up share capital	12	18	4	2	24	24
Share premium	13	17,732	26,349	13,780	57,861	54,767
Other reserve	13	128,183	19,203	11,876	159,262	180,818
Capital reserve	13	48,102	16,296	(1)	64,397	39,396
Revenue reserve	13	1,479	1,592	296	3,367	3,632
Shareholders' funds		195,514	63,444	25,953	284,911	278,637

Net asset value per share		31st August 2007 Net asset value per share (pence)	31st August 2007 Net assets attributable £'000	31st August 2006 Net asset value per share (pence)	31st August 2006 Net assets attributable £'000
Managed Growth	14	404.2	195,514	362.0	188,196
Managed Income	14	113.8	63,444	108.7	62,347
Managed Cash	14	101.4	25,953	101.1	28,094

The accounts on pages 44 to 62 were approved and authorised for issue by the Directors on 31st October 2007 and are signed on their behalf by:

Nigel Sidebottom
Director

The notes on pages 48 to 62 form an integral part of these accounts.

Cash Flow Statement

for the year ended 31st August 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	15	6,228	5,428
Taxation (paid)/recovered		(18)	24
Capital expenditure and financial investment			
Purchases of investments		(63,910)	(50,254)
Sales of investments		77,123	67,495
Other capital items		(22)	30
Net cash inflow from capital expenditure and financial investment		13,191	17,271
Dividends paid		(6,780)	(5,670)
Net cash inflow before financing		12,621	17,053
Financing			
Issue of shares		3,094	11,722
Repurchase of shares		(21,529)	(22,498)
Net cash outflow from financing		(18,435)	(10,776)
(Decrease)/increase in cash for the year	16	(5,814)	6,277

The notes on pages 48 to 62 form an integral part of these accounts.

Notes to the Accounts

for the year ended 31st August 2007

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 1985 and 2006 where applicable, United Kingdom Generally Accepted Accounting Practice ("UK GAAP") and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" (the "SORP") issued by the AIC in December 2005.

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" 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.

(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 "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 is bid market price for listed investments. Investments in Open Ended Investment Companies are valued at quoted bid prices.

Changes in the fair value of investments held at fair value through profit or loss and gains or losses on disposal are included in the income statement within "Gains from investments held at fair value through profit or loss". All purchases and sales are accounted for on a trade date basis.

(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 taken to capital.

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

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

Deposit interest and underwriting commission are taken to revenue on an accruals basis.

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

(d) Expenses

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

- 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 revenue and capital return from the Managed Growth investment portfolio;
- 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 revenue and capital return from the Managed Income investment portfolio;
- 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 broker commissions. In accordance with the SORP, disclosure of transaction costs is required and can be found in note 9.

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

In accordance with FRS 26: "Financial instruments: Measurement", written options are included in current assets or current liabilities at fair value, which is the cost of closing out the contracts.

(f) Taxation

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

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

Tax is computed for each portfolio separately. Where unrelieved expenses in one portfolio are utilised in another portfolio, a credit is made in the donor portfolio and charge in the recipient portfolio, based on half the value of those 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.

(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 paid.

	2007 £'000	2006 £'000
2. Gains from investments held at fair value through profit or loss		
Realised gains from investments held at fair value through profit or loss based on historical cost	22,248	13,434
Net premium on debt securities allocated to income	2	4
Amounts recognised as unrealised in the previous year	(13,980)	(5,146)
Realised gains based on carrying value at previous balance sheet date	8,270	8,292
Net movement in unrealised gains	17,205	32,396
Net losses on foreign currency	–	(1)
Other capital items	(22)	31
Total capital gains from investments held at fair value through profit or loss	25,453	40,718

THE COMPANY

Notes to the Accounts continued

	JPM Elect Managed Growth 2007 £'000	JPM Elect Managed Income 2007 £'000	JPM Elect Managed Cash 2007 £'000	Total 2007 £'000	Total 2006 £'000
3. Income					
Income from investments					
UK dividend income	2,676	2,713	–	5,389	5,172
UK unfranked investment income	63	359	–	422	156
UK interest income	–	9	–	9	44
Overseas dividends[1]	–	–	1,439	1,439	1,177
	2,739	3,081	1,439	7,259	6,549
Other interest receivable and similar income					
Deposit interest	279	71	1	351	429
Option income	–	109	–	109	3
Total income	3,018	3,261	1,440	7,719	6,981

[1] The overseas dividends represent distributions from liquidity funds, one of which is domiciled in Luxembourg and the others in Ireland.

	JPM Elect Managed Growth 2007 £'000	JPM Elect Managed Income 2007 £'000	JPM Elect Managed Cash 2007 £'000	Total 2007 £'000	Total 2006 £'000
4. Management fee					
Charged to revenue:					
Management fee	94	176	–	270	237
Irrecoverable VAT thereon	27	27	–	54	53
Total charged to revenue	121	203	–	324	290
Charged to capital:					
Management fee	282	176	–	458	391
Irrecoverable VAT thereon	82	27	–	109	106
Total charged to capital	364	203	–	567	497
Total	485	406	–	891	787

	JPM Elect Managed Growth 2007 £'000	JPM Elect Managed Income 2007 £'000	JPM Elect Managed Cash 2007 £'000	Total 2007 £'000	Total 2006 £'000
5. Other administrative expenses:[1]					
Other management expenses	139	49	20	208	195
Directors' fees[2]	63	21	8	92	82
Savings products[3]	147	19	3	169	146
Auditors remuneration for audit services[4]	17	4	1	22	21
Auditors remuneration for all other services	2	1	–	3	3
Total charged to revenue	368	94	32	494	447

[1] Expenses include the related irrecoverable VAT.

[2] Full disclosure is given in the Directors' Remuneration Report on page 41.

[3] Paid to JPMAM for the marketing of 'wrapper' products.

[4] Includes £3,000 (2006: £4,000) irrecoverable VAT.

Please refer to note 1(d) for details on how expenses are apportioned between each portfolio.

	JPM Elect Managed Growth 2007 £'000	JPM Elect Managed Income 2007 £'000	JPM Elect Managed Cash 2007 £'000	Total 2007 £'000	Total 2006 £'000
6. Taxation					
Charged to revenue:					
UK corporation tax at 30% (2006: 30%)	–	–	270	270	39
Tax allocation re "group relief"[1]	(20)	5	69	54	–
Tax allocation to capital	–	61	–	61	–
Overseas taxation	–	1	–	1	–
Total charged to revenue	(20)	67	339	386	39
Charged to capital:					
Tax allocation re "group relief"[1]	(54)	–	–	(54)	–
Tax allocation to capital	–	(61)	–	(61)	–
Total charged to capital	(54)	(61)	–	(115)	–
Total current tax	(74)	6	339	271	39

[1] Managed Growth has generated tax deductible expenses in excess of its taxable revenue, which benefits the Company's overall tax position. To compensate Managed Growth for its contribution in reducing the tax burden of the Company, amounts are transferred from Managed Income and Managed Cash. The amounts are calculated as half the tax savings which arise in Managed Income and Managed Cash and ensure that the relief is calculated at half of the effective rate for each.

Notes to the Accounts continued

6. Taxation (continued)

The tax charge for the year is lower (2006: lower) than the standard rate of corporation tax in the UK of 30% (2006: 30%). The difference is explained below.

	2007 £'000	2006 £'000
Net revenue return on ordinary activities before taxation	6,901	6,244
Net revenue return on ordinary activities before taxation multiplied by the standard rate of corporation tax of 30% (2006: 30%)	2,070	1,873
Non taxable UK dividends	(1,617)	(1,552)
Tax relief on capitalised expenses	(54)	(149)
Adjustment relating to OEIC dividends	(14)	–
Overseas withholding tax	1	–
Prior year expenses utilised	–	(133)
Total charged to revenue	386	39

The Company had no unrecognised deferred tax assets at 31st August 2007 (2006: nil).

Given the Company's status as an investment trust company, and the intention to continued 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	2007 £'000	2006 £'000
Managed Growth Shares 2006 3rd interim of 2.60p (2005: 2.22p)[1]	1,340	1,233
Managed Growth Shares 1st interim of 1.00p (2006: 2.00p)	516	1,070
Managed Growth Shares 2nd interim of 1.30p (2006: 0.60p)	648	321
Managed Growth Shares 3rd interim of 1.35p	673	–
Managed Income Shares 2006 4th quarterly dividend of 0.75p (2005: 0.65p)	431	364
Managed Income Shares 1st quarterly dividend of 0.98p (2006: 0.75p)	559	423
Managed Income Shares 2nd quarterly dividend of 1.66p (2006: 0.85p)	939	491
Managed Income Shares 3rd quarterly dividend of 0.30p (2006: 1.40p)	169	809
Managed Income Shares special dividend of 0.82p (2006: nil)	462	–
Managed Cash Shares 2006 4th quarterly dividend of 0.94p (2005: 1.05p)	261	260
Managed Cash Shares 1st quarterly dividend of 0.90p (2006: 0.91p)	246	225
Managed Cash Shares 2nd quarterly dividend of 0.98p (2006: 0.96p)	265	243
Managed Cash Shares 3rd quarterly dividend of 1.03p (2006: 0.92p)	271	231
Total dividends paid in the year	6,780	5,670

7. Dividends (continued)

(a) Dividends declared

	2007 £'000	2006 £'000
Managed Growth 4th interim dividend of 1.60p (2006: 3rd interim 2.60p)	774	1,352
Managed Income Shares 4th quarterly dividend of 1.18p (2006: 0.75p)	658	431
Managed Income Shares special dividend of 0.18p	100	–
Managed Cash Shares 4th quarterly dividend of 1.02p (2006: 0.94p)	261	261
Total dividends payable	1,793	2,044

[1] The total dividend payment is less than the amount shown in the accounts due to repurchases of shares between the previous year end and the record date.

(b) Dividends for the purpose of section 842 of the Income and Corporation Taxes Act 1988

The requirements of section 842 of the Income and Corporation Act 1988 are considered on the basis of dividends paid and proposed in respect of the financial year, as follows:

	2007 £'000	2006 £'000
Managed Growth Shares 1st interim of 1.00p (2006: 2.00p)	516	1,070
Managed Growth Shares 2nd interim of 1.30p (2006: 0.60p)	648	321
Managed Growth Shares 3rd interim of 1.35p (2006: nil)	673	–
Managed Growth 4th interim dividend of 1.60p (2006: 3rd interim 2.60p)	774	1,352
Managed Income Shares 1st quarterly dividend of 0.98p (2006: 0.75p)	559	423
Managed Income Shares 2nd quarterly dividend of 1.66p (2006: 0.85p)	939	491
Managed Income Shares 3rd quarterly dividend of 0.30p (2006: 1.40p)	169	809
Managed Income Shares special dividend of 0.82p (2006: nil)	462	–
Managed Income Shares 4th quarterly dividend of 1.18p (2006: 0.75p)	658	431
Managed Income Shares special dividend of 0.18p (2006: nil)	100	–
Managed Cash Shares 1st quarterly dividend of 0.90p (2006: 0.91p)	246	225
Managed Cash Shares 2nd quarterly dividend of 0.98p (2006: 0.96p)	265	243
Managed Cash Shares 3rd quarterly dividend of 1.03p (2006: 0.92p)	271	231
Managed Cash Shares 4th quarterly dividend of 1.02p (2006: 0.94p)	261	261
Total dividend for S842 purposes	6,541	5,857

The revenue available for distribution by way of dividend for the year is £6,569,000 (2006: £6,205,000).

Notes to the Accounts continued

8. Return per share

Managed Growth

Return per Managed Growth share is based on the following:-	2007 £'000	2006 £'000
Revenue return	2,549	2,830
Capital return	22,437	33,716
Total return	24,986	36,546
Weighted average number of shares in issue	50,331,272	54,106,947
Revenue return per share	5.06p	5.23p
Capital return per share	44.58p	62.31p
Total return per share	49.64p	67.54p

Managed Income

Return per Managed Income share is based on the following:-	2007 £'000	2006 £'000
Revenue return	2,897	2,426
Capital return	2,565	6,505
Total return	5,462	8,931
Weighted average number of shares in issue	56,599,506	57,390,085
Revenue return per share	5.12p	4.23p
Capital return per share	4.53p	11.33p
Total return per share	9.65p	15.56p

Managed Cash

Return/(loss) per Managed Cash share is based on the following:-	2007 £'000	2006 £'000
Revenue return	1,069	949
Capital loss	(1)	–
Total return	1,068	949
Weighted average number of shares in issue	26,829,592	26,007,274
Revenue return per share	3.98p	3.65p
Capital loss per share	–	–
Total return per share	3.98p	3.65p

	2007 £'000
9. Investments	
Investments listed on a recognised investment exchange	207,374
Unlisted investments[1]	71,228
Closing valuation	278,602

	Listed £'000	Unlisted[1] £'000	2007 £'000
Opening book cost	153,716	61,227	214,943
Opening unrealised gains	34,853	19,010	53,863
Opening valuation	188,569	80,237	268,806
Movements in the year:			
Purchases at cost	57,572	4,806	62,378
Sales – proceeds	(59,421)	(18,634)	(78,055)
– realised gains on sales	7,595	673	8,268
Net movement in unrealised gains	13,059	4,146	17,205
	207,374	71,228	278,602
Closing book cost	169,569	51,945	221,514
Closing unrealised gains	37,805	19,283	57,088
Closing valuation	207,374	71,228	278,602

[1] Unlisted investments comprise investments in Open Ended Investment Companies and liquidity funds held within the Managed Growth and Managed Cash portfolios.

During the year, £13,980,000 of prior years' unrealised gains have been transferred to realised as disclosed in notes 2 and 13.

Transaction costs on purchases during the year amounted to £335,000 (2006: £171,000) and on sales during the year amounted to £77,000 (2006: £67,000). These costs include stamp duty and broker commission.

Notes to the Accounts continued

	2007 £'000	2006 £'000
10. Current assets		
Debtors		
Securities sold awaiting settlement	932	–
Dividends and interest receivable	956	989
UK tax recoverable	16	16
Share class tax allocation	444	375
Other debtors	102	47
Total	2,450	1,427

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

	2007 £'000	2006 £'000
11. Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	405	1,937
Share class tax allocation	444	375
Repurchase of shares for future settlement	211	184
Other creditors and accruals	382	215
Total	1,442	2,711

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

	2007 £'000	2006 £'000
12. Share capital		
AUTHORISED SHARE CAPITAL		
160,000,000 Managed Growth shares of 0.01p each	16	16
125,000,000 Managed Growth C shares of £1 each	125,000	125,000
200,000,000 Managed Income shares of 0.01p each	20	20
125,000,000 Managed Income C shares of £1 each	125,000	125,000
125,000,000 Managed Cash shares of 0.01p each	13	13
50,000 Founder shares £1 each	50	50
300,000,000 Redeemable shares of £1 each	300,000	300,000
300,000,000 Repurchase shares of 0.01p each	30	30
Total	550,129	550,129

	2007 £'000	2006 £'000
12. Share capital (continued)		
ISSUED SHARE CAPITAL		
Managed Growth		
51,990,259 shares in issue at beginning of year (2006: 56,400,970)	5	5
Issue of nil shares (2006: 100,000)	–	–
Net share conversion reduction of 234,142 (2006: reduction of 2,186,211)	–	–
Repurchase of 3,390,000 shares (2006: 2,324,500)	–	–
Total 48,366,117 shares in issue at end of year	5	5
Founder Shares		
50,000 Founder Shares of £1 each 25p partly paid in issue at the beginning and end of year	13	13
Managed Income		
57,368,257 shares in issue at the beginning of the year (2006: 56,264,144)	4	4
Issue of nil shares (2006: 224,438)	–	–
Net share conversion reduction of 159,176 (2006: increase of 1,529,675)	–	–
Repurchase of 1,448,662 shares (2006: 650,000)	–	–
Total 55,760,419 shares in issue at end of year	4	4
Managed Cash		
27,777,834 shares in issue at the beginning of the year (2006: 24,792,429)	2	2
Net share conversion increase of 1,171,724 (2006: increase of 7,048,547)	–	–
Redemption of 1,404,180 shares (2006: 1,602,142)	–	–
Repurchase of 1,940,213 shares (2006: 2,461,000)	–	–
Total 25,605,165 shares in issue at end of year	2	2
Total	24	24

Shareholders 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 31st May and 30th November each year (or, if such days are not business days, the next business day), which, under current law, is exempt from UK capital gains tax.

Notes to the Accounts continued

12. Share capital (continued)

Deferred shares

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

	2007 £
Deferred Managed Growth shares:	
Issue of 712,424 Deferred Managed Growth shares of 0.000281p each	2
Repurchase and cancellation of 712,424 Deferred Managed Growth shares of 0.000281p each	(2)
Issue of 6,689 Deferred Managed Growth shares of 0.000176p	–
Closing balance	–

	2007 £
Deferred Managed Income shares:	
Issue of 56,161,894 Deferred Managed Income shares of 0.000297p each	167
Repurchase and cancellation of 56,161,894 Deferred Income Income shares of 0.000297p each	(167)
Issue of 56,155,758 Deferred Managed Income shares of 0.000116p	65
Closing balance	65

	2007 £
Deferred Managed Cash shares:	
Issue of 387,964 Deferred Managed Cash shares of 0.000076p each	–
Repurchase and cancellation of 387,964 Deferred Managed Cash shares of 0.000076p each	–
Issue of 26,338,909 Deferred Managed Cash shares of 0.000476p	125
Closing balance	125

	Share premium £'000	Other reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000
13. Reserves					
Opening balance	54,767	180,818	(14,467)	53,863	3,632
Realised gains on investments	–	–	8,268	–	–
Transfer on disposal of investments	–	–	13,980	(13,980)	–
Net movement in unrealised gains	–	–	–	17,205	–
Net premium on debt securities allocated to income	–	–	2	–	–
Share conversions during the year	3,094	(3,094)	–	–	–
Shares bought back and cancelled	–	(18,462)	–	–	–
Other capital items	–	–	(22)	–	–
Expenses charged to capital	–	–	(567)	–	–
Tax allocated to capital	–	–	115	–	–
Dividends appropriated in the year	–	–	–	–	(6,780)
Net revenue return for the year	–	–	–	–	6,515
Closing balance	57,861	159,262	7,309	57,088	3,367

Shares bought back and cancelled

During the year a total of 3,390,000 Managed Growth shares, 1,448,662 Managed Income shares and 1,940,213 Managed Cash shares were bought back by the Company and cancelled. In addition a total of 1,404,180 Managed Cash shares were redeemed in the two redemption opportunities available to those shares each year. The transfer from share capital to capital redemption reserve is not shown above as to the total nominal value of the shares cancelled is less then £1,000.

14. Net asset value per share

The net asset values per share are calculated as follows:

	2007 JPM Elect Managed Growth	2007 JPM Elect Managed Income	2007 JPM Elect Managed Cash
Net assets attributable (£'000)	195,514	63,444	25,953
Ordinary shares in issue at the year end	48,366,117	55,760,419	25,605,165
Net asset value per share (pence)	404.2	113.8	101.4

	2006 JPM Elect Managed Growth	2006 JPM Elect Managed Income	2006 JPM Elect Managed Cash
Net assets attributable (£'000)	188,196	62,347	28,094
Ordinary shares in issue at the year end	51,990,259	57,368,257	27,777,834
Net asset value per share (pence)	362.0	108.7	101.1

THE COMPANY

Notes to the Accounts continued

	2007 £'000	2006 £'000
15. Reconciliation of total net return on ordinary activities before taxation to net cash flow from operating activities		
Total net return on ordinary activities before taxation	31,787	46,465
Capital return before taxation	(24,886)	(40,221)
Decrease/(increase) in accrued income	33	(221)
(Increase)/decrease in other debtors	(87)	1
Decrease in accrued expenses	(53)	(103)
Expenses charged to capital	(567)	(497)
Taxation on unfranked investment income	(1)	–
Net premium on debt securities allocated to income	2	4
Net cash inflow from operating activities	6,228	5,428

	31st Aug 2006 £'000	Cash flow movement £'000	Exchange movement £'000	31st Aug 2007 £'000
16. Analysis of changes in net funds				
Cash at bank and in hand	11,115	(5,814)	–	5,301
Net funds	11,115	(5,814)	–	5,301

17. Contingent assets/liabilities and capital commitments

In 2004 the AIC lodged a joint appeal for the payment of investment trust management fees to be exempt from VAT. The costs of the appeal are being borne by the investment trust industry through the AIC. The European Court of Justice (ECJ) has found in favour of the AIC in declaring that the management fees of investment trusts are eligible for exemption from VAT and HM Revenue & Customs (HMRC) has confirmed that it will not appeal against this decision. On this basis it seems that the likelihood of recovering VAT paid on management fees in past years is probable. However HMRC has not released details of how much VAT may be recovered or how any reclaims may be effected. Therefore it is not practical at this stage to quantify the amount of VAT recoverable and therefore no amount has been recognised in the accounts.

There were no contingent liabilities or capital commitments at the balance sheet date (2006: nil).

18. Transactions with the Manager

Details of the management fee contracts are set out in the Directors' Report on page 35. The total amount payable to JPMAM for the year in respect of these contracts was £728,000 (2006: £628,000), excluding VAT, of which £nil (2006: £nil) was outstanding at the year end. In addition £169,000 (2006: £146,000), excluding VAT, was payable to JPMAM for the marketing and administration of 'wrapper' products of which £nil (2006: £84,000) was outstanding at the year end.

Custody fees amounting to £10,000 (2006: £9,000) were payable to third party custodians by JPMorgan Chase on behalf of the Company, of which £4,000 (2006: £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 £106,000 (2006: £54,000) of which £nil (2006: £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 2007 these were valued at £158.3m (2006: £161.0m) and represented 56.8% (2006: 59.9%) of the Company's investment portfolio. During the year the Company made purchases of such investments with a total value of £17.2m (2006: £10.1m) and sales with a total value of £38.2m (2006: £37.1m). Income amounting to £2.9m (2006: £2.9m) was received from these investments during the year.

Handling charges payable on investment transactions undertaken by overseas sub-custodians on behalf of the Company during the year amounted to £nil (2006: £3,000) of which £nil (2006: £nil) was outstanding at the year end.

At the year end, a bank balance of £nil (2006: £751,000) was held with JPMorgan Chase. Interest amounting to £nil (2006: £24,000), was received by the Company during the year from JPMorgan Chase.

19. Financial instruments

(a) Management of risk

The Company's financial instruments may comprise:

– Investments in equity shares with UK exposure;

– Investments in Investment Trusts, Open Ended Investment Companies and liquidity funds with UK and international exposure;

– Call and put options written by the Company to generate additional income; and

– Short term debtors, creditors and cash amounts arising directly from its operations.

These instruments are held in accordance with the Company's investment objective and policies.

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

The main risks arising from the Company's financial instruments are market price risk, which incorporates interest rate risk, liquidity risk and foreign currency risk. The Board's policy for managing these risks is summarised below.

Market price risk and interest rate risk

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

The Board meets at least quarterly to consider the asset allocation of the portfolio. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with its investment objectives, seeking to ensure that individual stocks meet an acceptable risk reward profile and managing the exposure of the portfolio to each sector of the market.

Liquidity risk

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

Foreign currency risk

Some of the Company's investments have exposure to overseas markets and therefore the income and capital value can be affected by exchange rate movements. This exposure is part of the risk reward inherent in a company that invests overseas.

Notes to the Accounts continued

19. Financial instruments (continued)

(b) Interest rate risk profile of financial assets and financial liabilities

Financial assets

The Company's financial assets comprise investments in equity shares, collective investment funds, holdings in liquidity funds, debtors and cash. The investments in equity shares and collective investment funds neither pay interest nor have a maturity date. The investments in liquidity funds are held as an alternative to cash and earn a floating rate of interest linked to the seven day Euro LIBOR rate. The Company's debtors may comprise unsettled broker balances for securities sold, dividends receivable, prepayments and other small balances on which no interest accrues. Cash balances in excess of a predetermined amount are placed on short term deposit and earn market rates of interest.

The interest rate profile of the Company's financial assets at 31st August is:

	2007 £m	2006 £m
Financial assets on which no interest accrues	254.8	240.2
Financial assets earning a fixed rate of interest	–	0.6
Financial assets earning a floating rate of interest	31.6	40.5
Total	286.4	281.3

Financial liabilities

The Company's liabilities comprise unsettled broker balances for securities purchased and other accruals on which no interest is payable.

(c) Maturity of the Company's financial liabilities

	2007 £m	2006 £m
Falling due in one year or less or on demand	1.4	2.7

(d) Fair values of financial instruments

All financial assets and liabilities are included in the balance sheet at fair values.

Information about the Company

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 high return, predominantly in the form of long term capital growth by investing in a range of closed and open-ended funds managed principally by JPMorgan.

- **Managed Income Shares**

Designed to provide a growing income together with the potential for long term capital growth by investing in equities and higher yielding shares of investment trusts and fixed income securities.

- **Managed Cash Shares**

Designed to preserve capital and deliver a yield based on short term interest rates by investing in five or more AAA rated sterling liquidity funds.

Repurchase of Managed Cash shares

In order to mitigate the impact of the market spread on the Managed Cash shares it is also 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 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 six months on 30th November and 31st May (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 JPM Investment Trust Share Plan/PEP/ISA or Pension Account must submit a conversion instruction form which can be found at www.jpmelect.com. 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.

Instructions must be received no earlier than 45 and no later than 14 days before a 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 JPM Investment Trust Share Plan/PEP/ISA or Pension Account, the minimum number of shares of any class which may be converted is 1,000 shares (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. Please note that shareholders cannot convert into Managed Cash shares within the Pension Account.

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

Information about the Company

Financial Calendar

Financial year end	31st August
Interim results announced	April
Final results announced	October/November
Dividends payable (if any)	
Managed Growth	June and December
Managed Income and Managed Cash	March, June, September and December
Annual General Meeting	December
Interim Management Statements	June and December (2008)

History
The Company was incorporated on 16th September 1999 and launched as an investment trust on 24th November 1999 with assets of £28m. 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 3408009
Bloomberg codes:
Managed Growth JPE LN, Managed Income JPEI LN, Managed Cash JPEC LN
Reuters codes:
Managed Growth JPE.L, Managed Income JPEI.L, Managed Cash JPEC.L

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

Website
www.jpmorganelect.co.uk

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

aic
The Association of Investment Companies
A member of the AIC

Manager and Secretary
JPMorgan Asset Management (UK) Limited

Company's Registered Office
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 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: 0870 600 3984

Notifications of changes of address and enquiries regarding certificates or dividend cheques should be made in writing to the Registrar quoting reference 2018. Registered shareholders can obtain further details on individual holdings on the internet by visiting www.shareview.co.uk

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

Brokers
Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone: 020 3100 0000

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

Notice of Meeting

Notice is hereby given that the eighth Annual General Meeting of JPMorgan Elect plc will be held at The Armourers' Hall, 81 Coleman Street, London EC2R 5BJ on Friday 7th December 2007 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 2007.

2 To approve the Directors' Remuneration Report for the year ended 31st August 2007.

3 To re-elect Simon Miller as a Director of the Company.

4 To re-elect Robert Ottley as a Director of the Company.

5 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

6 THAT the Board be and is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of approximately £722 (being approximately 10% of the issued share capital of the Managed Growth, Managed Income and Managed Cash share classes of the Company as at 31st October 2007) provided that this authority shall expire at the Company's Annual General Meeting in 2008 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

7 THAT, subject to the passing of resolution 6 set out above, the Directors of the Company be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 (the 'Act') to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 6 as if sub section (1) of Section 89 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 £722 (being approximately 10% of the total issued share capital as at 31st October 2007) at a price not less than the net asset value per share; and shall expire at the Company's Annual General Meeting in 2008 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 equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

8 THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the 'Act') to make market purchases (within the meaning of Section 163 of the Act) of its issued 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 7,179,627, 8,343,496 or 3,823,224 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 105% of the average of the middle market quotations for the share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five

Notice of Meeting continued

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 at the Company's Annual General Meeting in 2008 unless renewed at a 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 and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

Authority to make off-market purchases – Special Resolution

9 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 Sections 164 and 165 of the Companies Act 1985 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
A C Vincent, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
31st October 2007

Notes

1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on their behalf. A member wishing to appoint more than one proxy must appoint each proxy in respect of a specified number of shares within his holding. For this purpose a member may photocopy the enclosed Form of Proxy before completion and must indicate the number of shares in respect of which each proxy is appointed. A proxy need not be a member of the Company. The lodging of a form of proxy does not prevent a member from attending and voting if he so wishes.

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

3 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.00 p.m. on 5th December 2007 (the 'specified time'). If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.00 p.m. two days prior to the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

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

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

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

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

Electronic appointment – CREST members

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

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

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

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

Glossary of Terms

Return to shareholders

Total return to the investor, on a mid-market price to mid-market price basis, assuming that all dividends received (net of tax) were reinvested in the relevant share class of the Company at the time the shares were quoted ex-dividend. Transaction costs of reinvestment are not taken into account.

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 (net of tax) were reinvested in the relevant share class of the Company at time the shares were quoted ex-dividend.

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received (net of tax) were reinvested in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The 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 stated index.

Total Expense Ratio

Management fees and all other operating expenses, excluding interest, expressed as a percentage of the average of the opening and closing net assets.

Discount/Premium

If the share price 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 trust company's shares to trade at a discount than a premium.

Notes

JPMorgan Helpline
Freephone 0800 40 30 30 or 0207 742 9999
9.00 am to 5.30 pm Monday to Friday

JPMorgan Pension Helpline
Freephone 0800 41 31 76 or 0172 241 4888
9.00 am to 5.00 pm Monday to Friday
Please use this number if you have any queries relating to the Pension Account.

Your telephone call may be recorded for your security

www.jpmelect.co.uk