JPMorgan Elect plc

Annual Report & Financial Statements for the year ended 31st August 2018

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

J.P.Morgan
Asset Management

KEY FEATURES

Your Company

JPMorgan Elect plc (the 'Company') has 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. The Company's capital structure means that shareholders may benefit from greater investment flexibility in a tax-efficient manner.

Objectives

Managed Growth

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

Managed Income

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

Managed Cash

- Preservation of capital with a yield based on short term interest rates by investing in a range of liquidity funds and short dated AAA-rated UK or G7 government securities hedged into sterling. Based on its return characteristics and the costs incurred in transacting in its shares, an investment in Managed Cash should only be considered by existing holders of Managed Growth and/or Managed Income shares who wish to switch into Managed Cash on the designated quarterly conversion dates. Further details are given on page 98.

Gearing

The Managed Income share class has the ability to use short term gearing to increase potential returns to shareholders. Its policy is to operate within a gearing range of 15% net cash to 12.5% geared.

Investment Policies, Restrictions and Guidelines

More information on investment policies, risk management, restrictions and guidelines is given in the Business Review on pages 35 to 40.

Benchmarks

Managed Growth

- A composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK) (all total return).

Managed Income

- FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling) (all total return).

Managed Cash

- There is no benchmark for this portfolio, other than to maintain the net asset value as close to 100p per share as possible.

Capital Structure

At 31st August 2018, the following shares were in issue.

Managed Growth:

31,911,803 (2017: 33,725,314) Ordinary shares, excluding 6,002,149 (2017: 5,039,467) Treasury shares.

Managed Income:

71,143,249 (2017: 71,482,274) Ordinary shares, excluding 7,547,283 (2017: 4,555,996) Treasury shares.

Managed Cash:

7,670,009 (2017: 5,280,422) Ordinary shares. There were no shares held in Treasury (2017: Nil).

Conversions and Repurchase of Managed Cash Shares

Shareholders in any of the three share classes are able to convert some or all of their shares to the other classes on a quarterly basis without such conversion being treated, under current law, as a disposal for UK capital gains tax purposes. It is also possible for holders of Managed Cash shares to elect to have all or part of their holding of those shares repurchased by the Company for cash at a price close to net asset value at each conversion date. Further details are given on page 98.

FCA regulation of 'non-mainstream pooled investments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

The Company's ordinary shares are not considered to be 'complex instruments' under the FCAs 'Appropriateness' rules and guidance in the Conduct of Business (COB) sourcebook.

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

AIC

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

Find out more

More information about the Company can be found online at www.jpmelect.co.uk

WHY INVEST IN JPMORGAN ELECT PLC?

JPMorgan Elect plc provides a simple tax-efficient way to invest and switch between capital growth, income and capital protection strategies.

THE BENEFITS OF JPMORGAN ELECT PLC

Flexibility

Flexibility for investors to manage an investment strategy.

Choice

Choice of investment options so investors can focus on growing capital, earning income or protecting capital.

Switch

Switch capabilities mean investors can switch between three investment choices quarterly.

JPMorgan Elect offers quarterly conversion dates which allow you to convert between each share class without incurring a liability to UK capital gains tax. Managed Cash shareholders may also elect to have their shares repurchased by the Company on the quarterly Conversion Dates.

Strategic Report

Dear Shareholders,

I am pleased to report on the results for the year ended 31st August 2018. Performance during the year under review has been mixed. The Managed Growth portfolio return on net assets was +13.6%, outperforming its benchmark. The Managed Income portfolio grew its dividend for the eighth consecutive year but the return on net assets, whilst positive at +1.3%, was below the benchmark.

Over the past 18 months, the Board has strategically reviewed our three share classes. Overall, we have concluded that they remain appropriate but we have implemented some small changes, such as the introduction of gearing and a change of benchmark for Managed Income, and some increased flexibility to invest in non-JPMorgan funds for Managed Growth. We believe that these changes will enhance returns over the longer term.

Alan Hodson
Chairman

Performance during the year under review has been mixed

Managed Growth

The Managed Growth portfolio has delivered a total return on net assets of +13.6%, compared with the portfolio's benchmark which returned +8.1%, an outperformance of 5.5%.

The objective of this share class is long term capital growth delivered by investing in a range of investment trusts and open-ended funds managed principally by JPMorgan Asset Management. During the year the Board, in conjunction with the investment manager, reviewed the proportion of the Managed Growth share class which could be invested in non-JPMorgan investment companies. It was agreed that the percentage be increased from 30% to 40%, thus providing the investment manager with added flexibility. At the year-end, 27% of the portfolio was invested in non-JPMorgan funds.

The Managed Growth portfolio return on net assets was +13.6%, out performing its benchmark

For the year ended 31st August 2018, the Board declared dividends of 13.1 pence per Managed Growth share compared to 11.0 pence for the year ended 31st August 2017. Shareholders are reminded that this share class is a growth vehicle. Any income generated during the year is generally distributed in that year and investment decisions are not made with the objective of maintaining or growing income.

Managed Income

The objective of the Managed Income share class is growing income return with potential for long term capital growth. I am pleased to report that dividends for the year ended 31st August 2018 totalled 4.5 pence per share, an increase of 7.1% on 2017 (2017: 4.2 pence per share). However, the Managed Income portfolio delivered a total return on net assets of only +1.3%, compared with the portfolio's benchmark index which returned +4.6%, an underperformance of 3.3%. This is disappointing although the Board remains confident that the portfolio is well positioned to deliver improved returns in the future.

The Managed Income dividends totalled 4.5 pence per share, an increase of 2.7% on 2017

During the year, as agreed at the last Annual General Meeting ('AGM'), the Board negotiated a £20 million, two year floating rate multi-currency credit facility with Scotiabank to be used for the Managed Income share class. As at 31st August 2018, £5 million was drawn down and invested.

In the absence of unforeseen circumstances, the Board intends to declare the first three interim dividends for the year ending 31st August 2019 at 1.1 pence per share. The level of the fourth interim dividend will be determined by the Board towards the end of the Company's 2018/19 financial year and will depend on the level of dividends received and anticipated by the Company. It is the Board's aim to pay not less than the dividend paid for the year ending 31st August 2018 (4.5 pence) and increase the total dividends each year by at least inflation.

The Board believes that with the change in benchmark to FTSE All-Share Index (total return) and the introduction of gearing this share class is now managed on a level playing field in relation to competitor funds without materially changing the investment profile of the share class.

Managed Cash

The portfolio's primary objective remains capital preservation through investment in high quality liquidity funds. During the year, the Bank of England base rate was increased to 0.75%. The Managed Cash share class in comparison returned 0.3% on net assets and an interim dividend of 0.35 pence per share was paid for the year ended 31st August 2018.

The Managed Cash portfolio is invested in liquidity funds with AAA ratings as measured by Standard & Poor's, or an equivalent rating agency. The Board considers this class to be an asset allocation tool which continues to benefit shareholders of the Company's other share classes, offering the opportunity to switch into a safer share class in times of market volatility.

Further details of the performance of the three separate share class portfolios are set out on pages 9 to 34.

Conversions and Redemptions

During the year, shareholders took the opportunity to convert between share classes. This resulted in a decrease in the Managed Growth share class shares in issue of 850,829, an increase in the Managed Income share class shares in issue of 2,652,262 and an increase in the Managed Cash share class shares in issue of 3,940,747. In addition, 1,551,160 Managed Cash shares were redeemed.

The Board

I look forward to introducing Rupert Dickinson to you at the AGM

Roger Yates has been a member of the Board for nine years and has indicated his intention to step down at the conclusion of the AGM in December 2018. Roger has a wealth of knowledge and experience in the fund management industry and I would like to take this opportunity to thank him for his significant contribution to the Board over many years.

The Board engaged an independent consultant, Nurole, to assist with the recruitment of a new Director and the Directors recommend that Rupert Dickinson be appointed as a Director of the Company by the shareholders at the forthcoming AGM. Rupert is new to Investment Trust boards, having retired from his executive role earlier this year, but he has extensive experience of financial services and in the development of the UK investment platform industry. I am confident that Rupert will make an excellent addition to the JPMorgan Elect board and I will look forward to introducing him to you at the AGM.

Annual General Meeting

The Company's AGM will be held on 19th December 2018 at 12.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP. In addition to the formal part of the meeting, there will be presentations from the Investment Managers of each share class and a question and answer session.

If you have any detailed technical questions, it would be helpful if you could raise them in advance with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP or via the 'Ask a Question' link on the Company's website. Shareholders who are unable to attend the AGM are encouraged to use their proxy votes.

Outlook

Our managers still see value in equities and remain cautiously optimistic

For several years it has been easy to highlight heightened investment risks but markets have generally continued to perform well. 2018 has seen increased volatility, with material falls in the Spring, followed by all-time highs for the UK market in May and the US in September. More recently, we have seen further significant declines. This volatility may continue as markets struggle with political and economic uncertainty but corporate earnings and dividends have been robust and markets are generally not expensive. Our managers still see value in equities and remain cautiously optimistic.

Alan Hodson
Chairman

8th November 2018

MARKET REVIEW

YEAR ENDED 31ST AUGUST 2018

Over the last year, economic fundamentals have broadly remained solid, but it has been a bumpy ride for investors. The MSCI World Index (total return, sterling) gained 12.7% over the period, yet there were some periods of significant weakness. The largest peak-to-trough decline was nearly 10%.

UK investor sentiment has been dominated by the uncertainties around the Brexit negotiations. Despite this uncertainty, the Bank of England raised rates twice over the year as the economy performed better than expected. This was in part due to a revival in the pound early in the year, which helped to reduce inflation and to boost real wages and consumer confidence. The FTSE All-Share Index (total return, sterling) was up 4.6% over the review period.

In Europe, very strong growth in the fourth quarter of 2017 appeared to suggest that Europe was participating in a sustainable, synchronised global recovery. However, this optimism was somewhat tempered after Italian elections in March, which passed power to a new government promising to increase spending in a highly indebted country, reminding investors of political risk across Europe.

The European Central Bank announced that its net asset purchases would be tapered down to zero by the end of 2018 but its maintenance of negative real interest rates meant that policies remained supportive overall. Despite continued positive growth in the region, the MSCI Europe ex-UK Index (total return, sterling) only posted gains of 1.9% over the period of this review.

The winner over the last year has been the US equity market, with the S&P 500 (total return, sterling) up 18.6%. Investors were encouraged by robust and accelerating economic growth, boosted by President Trump's tax cuts. Companies in particular benefited from a significant reduction in corporate tax rates. Bond yields started to rise as fears of inflation grew; over this period, strong profit growth outweighed the negative effect of higher rates.

The worst regional performance came from emerging markets: with the MSCI Emerging Markets Index (total return, sterling) falling by 1.2% over the period. The strong dollar and higher interest rates in the US led to a liquidity squeeze and investors were also fearful of escalating trade tensions with the US.

8th November 2018

JPMorgan Asset Management

Managed Growth Share Class

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2018	2017	3 Year Cumulative	5 Year Cumulative
Return to shareholders[1]	+14.1%	+19.6%	+52.0%	+81.4%
Return on net assets[2]	+13.6%	+20.2%	+51.6%	+81.4%
Benchmark return[3]	+8.1%	+16.7%	+50.3%	+67.9%
Net asset return performance against benchmark return[3]	+5.5%	+3.5%	+1.3%	+13.5%
Dividend per share	13.1p	11.0p		

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

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

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

MANAGED GROWTH PERFORMANCE

FINANCIAL DATA

	31st August 2018	31st August 2017	% change
Shareholders' funds (£'000)	280,587	264,942	+5.9
Net asset value per share	879.3p	785.6p	+11.9
Share price	857.5p	764.0p	+12.2
Share price discount to net asset value per share	2.5%	2.7%	
Dividend per share	13.1p	11.0p	+19.1
Ongoing charges	0.54%	0.55%	

[1] Source: Morningstar. Share price total return.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: J.P. Morgan/Bloomberg. The benchmark is a composite comprising 50% FTSE All-Share Index (total return) and 50% FTSE World Index (ex-UK).

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Performance Review

The Managed Growth portfolio outperformed its benchmark over the last year, returning +13.6% versus the benchmark return of +8.1%. The discount narrowed slightly, delivering a total return of 14.1% to shareholders. The short- and long-term performance of the Growth portfolio is shown in the table below.

Managed Growth (%)	1 Yr	3 Yrs pa	5 Yrs pa	10 Yrs pa
Total return on net assets	13.6	14.8	12.6	11.1
Total return to shareholders	14.1	15.0	12.6	11.2
Benchmark total return	8.1	14.5	10.9	9.3
FTSE All-Share Index	4.7	10.2	7.6	7.5
FTSE World ex UK	12.1	19.7	14.9	11.5

Strong stock selection combined with narrowing discounts drove the outperformance of the Managed Growth portfolio

A combination of strong stock selection combined with narrowing discounts drove the outperformance of the Managed Growth portfolio.

Our holdings in North America had a particularly strong year both in absolute and relative terms. The single largest contributor to returns was the portfolio's holding of Allianz Technology Trust, which was buoyed by the continued growth in technology companies, boosted further by good stock selection. Our holdings in the UK also performed strongly. Two examples in the UK are JPMorgan Claverhouse Investment Trust (which is the portfolio's largest holding) and Finsbury Growth & Income Trust.

Some strategies, including BlackRock Frontiers Investment Trust and JPMorgan Chinese Investment Trust, underperformed their benchmarks. However, each of the 10 largest holdings outperformed their own benchmarks over the 12 month period.

At the year end, the investment trust sector (excluding private equity, hedge funds and direct property) average discount was -4.6%, compared with -5.1% at the previous year end (Source: Winterflood).

We estimate that discount narrowing contributed approximately 2.0% to the portfolio return.

Top 5 by absolute performance (%)	12 Mths to 31st August 2018
Allianz Technology Trust	41.5
JPMorgan US Smaller Companies	23.9
JPM US Equity All Cap Fund	21.2
JPMorgan American	20.5
JPMorgan Japanese	20.4

Each of the 10 largest holdings outperformed their own benchmarks

Bottom 5 by absolute performance (%)	12 Mths to 31st August 2018
BlackRock Frontiers	-5.7
JPMorgan Chinese	-2.1
The Biotech Growth Trust	-1.4
JPMorgan Indian	-1.2
JPMorgan European Investment Trust - Growth	1.8

PERFORMANCE ATTRIBUTION
FOR THE YEAR ENDED 31st AUGUST 2018

	%	%
Contributions to cum income total returns		
Benchmark total return		**8.1**
Asset allocation	0.4	
Stock selection	5.8	
Gearing/cash	-0.2	
Investment manager contribution		**6.0**
Portfolio total return		**14.1**
Management fees/Other expenses	-0.6	
Share buy back/Issuance	0.1	
Other effects		**-0.5**
Net asset value cum income total return		**13.6**
Share price total return		**14.1**

Source: B-One, JPMAM and Morningstar. All figures are on a total return basis.
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

Portfolio activity

At the year end, 44% of the portfolio was invested in JPMorgan-managed investment trusts, 29% in JPMorgan-managed open-ended funds, 27% in investment trusts managed by third party managers, with the balance held in futures and cash.

We have made meaningful changes to the asset allocation in the last year. We sold European equities, moving from overweight to underweight in this region. We increased our overweight to the US. The US is our most favoured region, given solid economic growth and a strong earnings backdrop, while the defensive nature of the US market should help in both upside and downside scenarios relative to other regions.

Whilst the UK continues to be a large allocation to the portfolio, we have maintained an underweight to the region relative to the benchmark over the period. Among the developed market economies, the UK faces a unique set of secular and shorter-term uncertainties. The UK's impending departure from the European Union (EU) already seems to be affecting the country's medium-term prospects. Immigration from the rest of the EU has slowed sharply, a direct hit to the economy's potential growth rate. Meanwhile, since the referendum the economy appears to have moved further into late-cycle territory, with the unemployment rate at its lowest level since the 1970s and inflation running close to the Bank of England's target. Continued growth has come at the expense of the private sector's financial position, now the most stretched in several decades, largely reflecting a very low household saving rate. The UK economy thus looks vulnerable to retrenchment in the face of shocks.

We continue to be constructive on Japanese equities, although we have reduced our overweight over the period. The change is centred around our preference to have a distinct overweight to US equities, as opposed to a negative view on Japanese equities.

After the very strong start to the year, we have seen a divergence in global equity returns

Outlook

After the very strong start to the year, we have seen a divergence in global equity returns. The US has continued to outperform versus the rest of the world and the gap between the most expensive and cheapest stocks in the market, within both sectors and countries, is reaching historical extremes. However, the economic momentum has certainly slowed from the highs witnessed in 2017, especially outside the US. Our view is that global growth is set to remain above trend, but changes to US trade policy and the impact of higher US rates have increased the risks in our outlook. We expect US policy rates to continue steadily tightening over coming quarters, but even then monetary policy will remain accommodative and supportive for risky assets into early 2019

We would note that investment trust discounts to net asset value have continued to narrow, and this warrants some caution. However, valuations of equities are not at extreme levels, and economic growth should be sustained despite tightening monetary policy.

Katy Thorneycroft
Investment Manager

8th November 2018

TEN LARGEST EQUITY INVESTMENTS

AT 31ST AUGUST

Company	2018 Valuation £'000	%[1]	2017 Valuation £'000	%[1]
JPMorgan Claverhouse Investment Trust	29,136	10.5	26,439	10.2
JPMorgan American Investment Trust	27,266	9.8	22,820	8.8
JPMorgan US Equity All Capital ('C' shares)[2]	23,154	8.4	22,995	8.9
JPMorgan UK Dynamic ('C' shares)[2]	21,937	7.9	29,130	11.2
Finsbury Growth & Income Trust	21,554	7.8	19,277	7.4
JPMorgan US Select Equity ('C' shares)[2]	21,049	7.6	22,399	8.6
JPMorgan UK Equity Plus ('C' shares)[2,3]	14,540	5.3	–	–
JPMorgan Japanese Investment Trust	13,966	5.0	10,196	3.9
JPMorgan European Investment Trust (Growth Shares)	11,709	4.2	12,519	4.8
Allianz Technology Trust[4]	9,644	3.5	6,252	2.4
Total[5]	**193,955**	**70.0**		

[1] Based on total portfolio of £277.1m (2017: £259.9m).
[2] Represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').
[3] Not included in the total investments at 31st August 2017.
[4] Not included in the ten largest investments at 31st August 2017.
[5] At 31st August 2017, the value of the ten largest investments amounted to £181.2m, representing 69.7% of the total investments.
Futures positions are excluded.

GEOGRAPHICAL ANALYSIS (ON A LOOK THROUGH BASIS)

AT 31ST AUGUST

Region	2018 Portfolio[1] %	2018 Benchmark %	2017 Portfolio[1] %	2017 Benchmark %
UK	49.5	50.0	47.0	50.0
North America	33.9	32.0	30.3	30.5
Japan	6.1	4.6	6.7	4.7
Continental Europe	5.1	8.1	10.2	8.9
Asia (excluding Japan)	3.9	3.0	4.2	3.2
Emerging Markets and others	1.5	2.3	1.6	2.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £277.1m (2017: £259.9m), including open exposure to futures contracts. Refer to notes 12 and 13 on pages 79 to 80 for further disclosure.

LIST OF INVESTMENTS AT 31ST AUGUST 2018

Company	Valuation £'000
JPMORGAN MANAGED INVESTMENT TRUSTS	
JPMorgan Claverhouse	29,136
JPMorgan American	27,266
JPMorgan Japanese	13,966
JPMorgan European (Growth Shares)	11,709
Mercantile	8,382
JPMorgan European Smaller Companies	6,703
JPMorgan US Smaller Companies	6,103
JPMorgan Asian	5,901
JPMorgan Smaller Companies	5,338
JPMorgan Emerging Markets	4,349
JPMorgan Indian	1,785
JPMorgan Japan Smaller Companies	1,424
JPMorgan Chinese	712
	122,774
JPMORGAN MANAGED OPEN ENDED INVESTMENT COMPANIES	
JPMorgan US Equity All Capital ('C' shares)[1]	23,154
JPMorgan UK Dynamic ('C' shares)[1]	21,937
JPMorgan US Select Equity ('C' shares)[1]	21,049
JPMorgan UK Equity Plus ('C' shares)[1]	14,540
	80,680

Company	Valuation £'000
EXTERNALLY MANAGED INVESTMENT TRUSTS	
Finsbury Growth & Income	21,554
Allianz Technology	9,644
Baillie Gifford UK Growth	8,806
Murray Income	7,495
Fidelity Special Values	5,719
Impax Environmental Markets	4,714
Edinburgh	3,268
Baillie Gifford US Growth	2,648
BlackRock Smaller Companies	2,352
BlackRock Frontiers	2,176
Perpetual Income and Growth	1,681
Worldwide Healthcare	1,521
City of London	1,197
Fidelity European Values	914
	73,689
TOTAL INVESTMENTS	**277,143**
DERIVATIVE INSTRUMENTS	
Futures[2]	
EURO STOXX 50 Index Sep 2018	128
FTSE 100 Index Sep 2018	(202)
S&P 500 Emini Index Sep 2018	40
TOTAL DERIVATIVE INSTRUMENTS	**(34)**
TOTAL INVESTMENTS AND DERIVATIVES	**277,109**

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

[2] Representing unrealised gains and losses on futures contracts. Refer to notes 12 and 13 on pages 79 to 80 for further disclosure.

TEN YEAR FINANCIAL RECORD

As at 31st August	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net asset value per share (p)	356.0	332.0	356.3	389.4	403.8	518.4	567.4	605.2	664.2	785.6	879.3
Share price (p)	346.5	321.0	349.0	382.0	388.5	507.5	554.0	590.5	648.8	764.0	857.5
Discount (%)	2.7	3.3	2.0	1.9	3.8	2.1	2.4	2.4	2.3	2.7	2.5

Year ended 31st August											
Revenue return per share (p)	5.65	7.25	5.02	5.31	6.25	6.77	7.22	6.98	8.94	12.63	14.07
Dividend per share (p)	5.65	7.15	5.05	5.00	5.95	7.00	7.50	6.75	8.70	11.00	13.10
Net Cash (%)	5.1	2.6	1.1	1.9	1.0	2.8	5.7	6.8	5.7	1.9	1.2
Ongoing charges (%)	0.43	0.63	0.49	0.51	0.51	0.58	0.52	0.54	0.58	0.55	0.54

Year ended 31st August											
Total return to shareholders (%)[1]	-9.5	-5.0	+10.6	+11.1	+3.3	+32.6	+10.7	+7.8	+11.5	+19.6	+14.1
Total return on net assets (%)[2]	-10.6	-4.6	+9.4	+10.9	+5.2	+30.3	+10.8	+8.0	+11.0	+20.2	+13.6
Benchmark total return (%)[3]	-5.2	-6.7	+9.7	+7.7	+9.8	+19.4	+11.7	0.0	+19.1	+16.7	+8.1

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

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

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST AUGUST 2018 (UNAUDITED)

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss	–	30,537	30,537	–	40,930	40,930
Net foreign currency gains	–	8	8	–	16	16
Income from investments	5,259	–	5,259	4,902	–	4,902
Interest receivable and similar income	21	–	21	17	–	17
Gross return	**5,280**	**30,545**	**35,825**	**4,919**	**40,946**	**45,865**
Management fee	(260)	(780)	(1,040)	(234)	(703)	(937)
Other administrative expenses	(409)	–	(409)	(418)	–	(418)
Net return on ordinary activities before finance costs and taxation	**4,611**	**29,765**	**34,376**	**4,267**	**40,243**	**44,510**
Finance costs	–	(1)	(1)	–	(1)	(1)
Net return on ordinary activities before taxation	**4,611**	**29,764**	**34,375**	**4,267**	**40,242**	**44,509**
Taxation credit	2	–	2	1	–	1
Net return on ordinary activities after taxation	**4,613**	**29,764**	**34,377**	**4,268**	**40,242**	**44,510**
Return per Managed Growth share	**14.07p**	**90.78p**	**104.85p**	**12.63p**	**119.11p**	**131.74p**

STATEMENT OF FINANCIAL POSITION

AT 31ST AUGUST 2018 (UNAUDITED)

	2018 £'000	2017 £'000
Fixed assets		
Investments held at fair value through profit or loss	277,143	259,853
Current assets		
Derivative financial assets	168	119
Debtors	2,327	743
Cash and cash equivalents	1,244	4,392
	3,739	5,254
Current liabilities		
Creditors: amounts falling due within one year	(93)	(134)
Derivative financial liabilities	(202)	(31)
Net current assets	**3,444**	**5,089**
Net assets	**280,587**	**264,942**
Net asset value per Managed Growth share	**879.3p**	**785.6p**

Managed Income Share Class

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2018	2017	3 Year Cumulative	5 Year Cumulative
Return to shareholders[1]	+2.9%	+15.5%	+26.3%	+47.9%
Return on net assets[2]	+1.3%	+14.9%	+23.5%	+44.6%
Benchmark return[3]	+4.6%	+12.3%	+30.8%	+41.4%
Net asset return performance against benchmark return[3]	-3.3%	+2.6%	-7.3%	+3.2%
Dividend per share	4.5p	4.2p		

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[3] Source: J.P.Morgan/Bloomberg. The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling) (all total return).

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

MANAGED INCOME PERFORMANCE

FINANCIAL DATA

	31st August 2018	31st August 2017	% change
Shareholders' funds (£'000)	81,138	83,784	-3.2
Net asset value per share	114.0p	117.2p	-2.7
Share price	111.5p	112.8p	-1.2
Share price discount to net asset value per share	2.2%	3.8%	
Dividend per share	4.5p	4.2p	+7.1
Ongoing charges	0.74%	0.71%	

[1] Source: Morningstar. Share price total return.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: J.P. Morgan/Bloomberg. The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (all total return).

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

The Managed Income portfolio underperformed largely during the final quarter of the year

Performance Review

During the year ended 31st August 2018, the Managed Income portfolio underperformed: it delivered a total return of +1.3%, in comparison to the benchmark return of +4.6%. The underperformance largely occurred during the final quarter of the year.

The benchmark for the Managed Income is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% of the FTSE All-Share Index (total return) and 15% of the Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling).

Managed Income (%)	1 Yr pa	3 Yrs pa	5 Yrs pa	10 Yrs pa
Total return on net assets	1.3	7.3	7.7	7.3
Total return to shareholders	2.9	8.1	7.7	7.4
Benchmark total return[1]	4.6	9.4	7.2	7.2

Source: Morningstar/J.P. Morgan, using cum income net asset value per share.

[1] Benchmark: FTSE All-Share Index (total return). Prior to 1st March 2018, benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (all total return).

Performance relative to the benchmark was negatively affected by our holdings in Just Group, Carnival and Card Factory.

Just Group provides an equity release product, offering property owners a means to withdraw capital from their homes, provided there is sufficient equity in the customer's house. The company has consistently grown sales faster than the market expected. However, the shares fell substantially when the company highlighted that a consultation paper by the UK regulator could require more capital than previously budgeted.

Carnival, a cruise ship operator, fell as a result of the strengthening oil price. Since fuel is one of Carnival's biggest costs, the rising oil price meant the company had to lower its profitability guidance.

The single biggest positive contributor to performance was Games Workshop

Budget greetings card retailer, Card Factory, performed very poorly as sales growth failed to live up to expectations.

The single biggest positive contributor to performance was Games Workshop. The company sells table-top war game systems and miniatures through its global store network and online presence. From the time of original purchase to the year end, the shares have risen over 70% as a result of consistently surprising the market with growth of revenues and profits.

Evraz, a UK domiciled-holding company for one of Russia's largest steel producers has also performed strongly since we acquired our holding. Strong cash generation allowed for a higher-than-expected interim dividend.

Our holdings in high yielding oil stocks, Royal Dutch Shell and BP, contributed meaningfully to performance as oil prices rose throughout the year, partly due to the deterioration in relations between the US and Iran.

PERFORMANCE ATTRIBUTION
FOR THE YEAR ENDED 30TH SEPTEMBER 2018

	%	%
Contributions to cum income total returns		
Benchmark total return		4.6
Bond returns	0.8	
Sector effect – Bonds	0.9	
Stock selection – Bonds	-0.1	
Equity returns	-2.6	
Sector effect – Equities	-1.5	
Stock selection – Equities	-1.1	
Currency/cash	-0.9	
Investment manager contribution		-2.7
Portfolio total return		1.9
Management fee/other expenses	-0.7	
Share buybacks	0.1	
Other effects		-0.6
Net asset value cum income total return		1.3
Share price total return		2.9

Dividend Review

The Managed Income portfolio benefited from robust dividend growth in our underlying holdings. This allowed the Board to increase the dividend by 7%, whilst also strengthening revenue reserves. Dividend growth was helped significantly by higher pay-outs in holdings in the mining sector, via Glencore and Anglo American. Two of our holdings in the insurance sector, Aviva and Legal & General also contributed positively to the portfolio's income growth. Special dividends from our holdings in PageGroup, Jupiter Fund Management and Taylor Wimpey continued to benefit income generation for the portfolio.

Two of our holdings in the insurance sector, Aviva and Legal & General contributed positively to the portfolio's income growth

The disappointments in dividend growth were the result of the exchange rate. The pound rose against the dollar over the course of our financial year, reducing dividends received from HSBC, BP and Royal Dutch Shell.

Portfolio Review

As at the year end, the equity exposure of the Managed Income portfolio was 96.2%. Including positions in the JPM European Investment Trust and the JPM Global High Yield Bond Fund, our exposure to markets is marginally greater than 100% as we have begun to utilise the facility to gear the portfolio. We expect the level of gearing to be primarily influenced by individual stock opportunities.

We established new positions in Cineworld, Ashtead, Somero, TBC Bank Group and International Consolidated Airlines (IAG). We acquired Cineworld primarily on the prospect of cost savings after the company acquired Regal Cinemas in the US. Earnings also benefited from improving box office revenue in the US thanks to a strong film line-up over the last year. Cineworld shares have a prospective dividend yield of 3.7% and we expect its dividend to grow by more than 20% per annum.

We purchased Ashtead - a construction equipment rental business - following a financial update from the company revealing faster-than-anticipated progress in their 5-year growth plan and robust customer demand, particularly in the US. The dividend yield is low at 1.2%, despite significant surplus capital generation, as management prefer share buy-backs as a form of distribution.

TBC Bank Group is a UK-listed commercial bank based in Georgia. The company's lending growth is strong as residential mortgage penetration in Georgia rises from low levels leading to an increase in payment and transaction volumes which are driving strong fee growth. We forecast a dividend yield of 4%, with dividends growing in excess of 10% per annum.

The catalyst for our purchase of IAG was supportive trading along with growing free cash flow generation. The free cash flow supports a regular dividend equal to a prospective 5% yield. The company's cash flow in excess of that required for the regular dividend will either be used to fund new investments or be returned to shareholders.

We purchased Somero, a small AIM-listed company manufacturing construction equipment, following a better-than-expected trading statement with management citing encouraging market conditions and robust finances. Somero has a net cash position and robust free-cash-flow generation should allow for further special dividends, contributing to an overall prospective yield of 5%.

Whilst the UK economic growth is subdued, it is still positive

Our purchases were funded by the sale of Headlam (slowing sales growth), Jupiter (deteriorating earnings profiles due to bond fund outflows) and Lancashire (share price recovery post February falls). Other sales included tactical reductions of BAE Systems, BP, British American Tobacco and Royal Dutch Shell. We also sold our holding in Berkeley Group as uncertainty over the outcome of the Brexit negotiations may lead to lower sales of the company's luxury London apartments.

Outlook

The domestic economic and political outlook remains unclear and is not helped by the uncertainty around the Brexit negotiations. Underlying momentum in the domestic economy remains subdued, whilst the threat of continued global trade tensions adds to the negative risks.

However, whilst UK economic growth is subdued, it is still positive. Additionally, growth in the rest of Europe has stabilised following a period of slower momentum earlier in the year and the US economy continues to do well, fuelled by fiscal stimulus.

The UK equity market continues to offer an attractive dividend yield of 3.9%. This provides some cushion, even in the event of a negative outcome to the Brexit negotiations. The floating exchange rate could take the strain if there is a no-deal outcome. Given the proportion of UK dividends earned overseas, a weak exchange rate would boost dividend-paying capacity.

John Baker
Katen Patel
Investment Managers

8th November 2018

TEN LARGEST INVESTMENTS

AT 31ST AUGUST

	2018		2017	
	Valuation		Valuation	
Company	£'000	%[1]	£'000	%[1]
Royal Dutch Shell	7,740	9.5	6,118	7.6
HSBC	4,922	6.1	5,523	6.8
BP	4,745	5.8	3,183	3.9
GlaxoSmithKline	3,392	4.2	3,638	4.5
Rio Tinto	3,003	3.7	3,075	3.8
British American Tobacco	2,776	3.4	3,892	4.8
Lloyds Banking	2,611	3.2	2,808	3.5
JPM Global High Yield Bond Fund ('A' Income shares)[2]	2,534	3.1	2,625	3.3
Prudential[3]	2,135	2.6	2,233	2.8
Aviva[3]	2,092	2.6	2,252	2.8
Total[4]	**35,950**	**44.2**		

[1] Based on total investments of £81.3m (2017: £80.8m).
[2] Represents holdings in an Open Ended Investment Company ('OEIC') or a Société d'investissements à Capital Variable ('SICAV').
[3] Not included in the ten largest investments at 31st August 2017.
[4] At 31st August 2017, the value of the ten largest investments amounted to £35.5m, representing 44.0% of total investments.

TEN LARGEST INCOME PAYERS[1]

FOR THE YEAR ENDED 31ST AUGUST 2018

	2018		2017	
Company	£'000	%[2]	£'000	%[2]
Royal Dutch Shell	438	10.7	387	11.0
HSBC	275	6.7	267	7.6
BP	252	6.2	206	5.9
Rio Tinto	186	4.6	147	4.2
GlaxoSmithKline	164	4.0	174	4.9
Aviva	158	3.9	84	2.4
JPM Global High Yield Bond Fund ('A' Income Shares)	150	3.7	152	4.3
Vodafone[3]	150	3.7	51	1.5
Lloyds Banking	137	3.4	141	4.0
Evraz[3]	131	3.2	37	1.1
Total[4]	**2,041**	**50.1**		

[1] In terms of amounts of income received by the Managed Income portfolio.
[2] Based on total income from investments of £4.1m (2017: £3.5m).
[3] Not included in ten largest income payers as at 31st August 2017.
[4] For the year ended 31st August 2017, the dividends received from the ten largest income payers was £1,789,000, representing 50.9% of the total income from investments.

SECTOR ANALYSIS

AT 31ST AUGUST

	2018			2017		
	Managed Income Portfolio %[1]	Benchmark %[2]	Income from investments %[3]	Managed Income Portfolio %[1]	Benchmark %[2]	Income from investments %[3]
Financials	27.8	22.7	27.7	29.3	20.2	26.4
Oil & Gas	16.4	13.8	17.2	11.5	9.7	16.9
Consumer Goods	12.2	14.1	14.9	18.7	13.8	17.2
Basic Materials	9.3	7.3	11.7	6.1	6.5	6.4
Consumer Services	9.9	11.9	6.6	7.1	9.3	7.2
Industrials	8.9	11.5	6.7	10.1	9.5	5.4
Health Care	5.3	9.4	4.0	5.6	7.2	6.8
Utilities	3.8	2.6	2.5	2.9	2.7	2.7
Telecommunications	2.4	2.8	4.1	4.1	3.1	3.1
Technology	–	0.9	–	–	0.7	0.4
Investment Trusts	0.9	3.0	0.9	1.4	2.3	3.2
Total UK Equities	**96.9**	**100**	**96.3**	**96.8**	**85.0**	**95.7**
Bond Funds	3.1	–	3.7	3.2	15.0	4.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £81.3m (2017: £80.8m).
[2] The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the Company's benchmark was a composite comprising 85% FTSE All-Share Index (total return) and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling).
[3] Based on total income received during the year of £4.1m (2017: £3.5m).

LIST OF INVESTMENTS AT 31ST AUGUST 2018

Company	Valuation £'000
UK EQUITIES	
Royal Dutch Shell	7,740
HSBC	4,922
BP	4,745
GlaxoSmithKline	3,392
Rio Tinto	3,003
British American Tobacco	2,776
Lloyds Banking	2,611
Prudential	2,135
Aviva	2,092
Vodafone	1,920
Diageo	1,835
Phoenix	1,589
Tesco	1,491
Legal & General	1,431
Imperial Brands	1,426
National Grid	1,389
Mondi	1,351
International Consolidated Airlines	1,317
Glencore	1,273
Persimmon	1,216
Games Workshop	1,164
Centrica	1,101
Intermediate Capital	1,101
Taylor Wimpey	1,092
ITV	1,030

Company	Valuation £'000
UK EQUITIES CONT.	
Ashtead	1,023
BAE Systems	1,013
WH Smith	1,002
Evraz	995
Direct Line Insurance	972
Forterra	937
Beazley	885
Shire	879
Electrocomponents	858
John Wood	855
888	810
Anglo American	775
OneSavings Bank	723
National Express	712
Workspace	653
TBC Bank	648
Morgan Advanced Materials	637
AIB	609
DS Smith	603
B&M European Value Retail	591
Cineworld	584
Sabre Insurance	582
Severn Trent	559
PageGroup	542
Schroders	541

Company	Valuation £'000
UK EQUITIES CONT.	
Pearson	523
Just	495
Somero Enterprises	473
Morgan Sindall	425
Costain	406
Bellway	403
Amigo	394
SThree	338
IntegraFin	249
Central Asia Metals	195
	78,031
JPMORGAN MANAGED INVESTMENT TRUSTS	
JPMorgan European (Income Shares)	746
	746
JPMORGAN MANAGED BOND	
JPM Global High Yield Bond Fund ('A' Income shares)[1]	2,534
	2,534
TOTAL INVESTMENTS	**81,311**

[1] Unlisted and represents a holding in an Open Ended Investment Company ('OEIC').

TEN YEAR FINANCIAL RECORD

As at 31st August	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net asset value per share (p)	86.4	69.6	72.9	76.9	81.4	94.9	104.3	103.6	105.7	117.2	114.0
Share price (p)	84.5	69.5	70.0	75.0	78.5	91.3	100.8	99.3	101.5	112.8	111.5
Discount (%)	2.2	0.1	4.0	2.5	3.6	3.8	3.4	4.2	4.0	3.8	2.2

Year ended 31st August											
Revenue return per share (p)	5.52	3.55	2.68	3.32	3.48	3.97	4.16	4.67	4.76	4.83	5.10
Dividends per share (p)	4.30	4.30	3.30	3.35	3.40	3.55	3.65	3.80	3.90	4.20	4.50
Special dividends per share (p)	1.15	–	–	–	–	–	–	–	–	–	–
Net yield per share[1] (%)	6.4	6.2	4.7	4.5	4.3	3.9	3.6	3.8	3.8	3.7	4.0
Gearing/(Net Cash) (%)	(1.1)	(1.8)	(1.1)	(5.9)	(2.7)	(1.1)	(0.9)	(2.5)	(5.5)	(3.5)	0.2
Ongoing charges (%)	0.74	0.92	0.66	0.69	0.71	0.73	0.72	0.76	0.73	0.71	0.74

Year ended 31st August											
Total return to shareholders (%)[2]	-17.6	-13.8	+7.6	+12.0	+9.5	+21.0	+14.5	+2.3	+6.4	+15.5	+2.9
Total return on net assets (%)[3]	-19.7	-14.1	+10.4	+10.5	+10.6	+21.2	+13.9	+2.8	+5.9	+14.9	+1.3
Benchmark total return (%)[4]	-10.5	-6.3	+10.9	+6.6	+10.2	+16.1	+10.1	-1.8	+11.3	+12.3	+4.6

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

[2] Source: Morningstar.

[3] *Source: Morningstar/J.P. Morgan, using cum income net asset value per share.*

[4] Source: J.P.Morgan/Bloomberg. The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (all total return). Prior to 28th February 2009, the benchmark was a composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST AUGUST 2018 (UNAUDITED)

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	–	(2,198)	(2,198)	–	7,726	7,726
Net foreign currency gains	–	1	1	–	2	2
Income from investments	4,070	–	4,070	3,517	–	3,517
Interest receivable and similar income	15	–	15	5	–	5
Gross return/(loss)	**4,085**	**(2,197)**	**1,888**	**3,522**	**7,728**	**11,250**
Management fee	(237)	(237)	(474)	(191)	(191)	(382)
Other administrative expenses	(141)	–	(141)	(135)	–	(135)
Net return/(loss) on ordinary activities before finance costs and taxation	**3,707**	**(2,434)**	**1,273**	**3,196**	**7,537**	**10,733**
Finance costs	(24)	(24)	(48)	(1)	(1)	(2)
Net return/(loss) on ordinary activities before taxation	**3,683**	**(2,458)**	**1,225**	**3,195**	**7,536**	**10,731**
Taxation credit/(charge)	2	–	2	(9)	–	(9)
Net return/(loss) on ordinary activities after taxation	**3,685**	**(2,458)**	**1,227**	**3,186**	**7,536**	**10,722**
Return/(loss) per Managed Income share	**5.10p**	**(3.40)p**	**1.70p**	**4.83p**	**11.43p**	**16.26p**

STATEMENT OF FINANCIAL POSITION

AT 31ST AUGUST 2018 (UNAUDITED)

	2018 £'000	2017 £'000
Fixed assets		
Investments held at fair value through profit or loss	81,311	80,810
Current assets		
Debtors	770	858
Cash and cash equivalents	4,115	2,163
	4,885	**3,021**
Current liabilities		
Creditors: amounts falling due within one year	(58)	(47)
Net current assets	**4,827**	**2,974**
Total assets less current liabilities	**86,138**	**83,784**
Creditors: amounts falling due after more than one year	(5,000)	–
Net assets	**81,138**	**83,784**
Net asset value per Managed Income share	**114.0p**	**117.2p**

Managed Cash Share Class

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2018	2017	3 Year Cumulative	5 Year Cumulative
Return to shareholders[1]	+0.4%	+1.1%	+2.1%	+2.3%
Return on net assets[2]	+0.3%	+0.8%	+1.8%	+2.8%
Dividend per share	0.35p	0.35p		

FINANCIAL DATA

	31st August 2018	31st August 2017	% change
Shareholders' funds (£'000)	7,838	5,398	+45.2
Net asset value per share	102.2p	102.2p	–
Share price	101.0p	101.0p	–
Share price discount to net asset value per share	1.2%	1.2%	
Dividend per share	0.35p	0.35p	–
Ongoing charges	0.02%	0.02%	

[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan.

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

During the financial year, the Bank of England's (BoE) Monetary Policy Committee voted to increase interest rates by a quarter of a percentage point on two separate occasions. The first rate rise in a decade came in November 2017 and was widely expected by markets. The BoE Governor Mark Carney stated that the economy was operating with limited spare capacity and that low unemployment was expected to start to translate into higher wage growth. This was followed by another increase in August 2018 to 0.75%, which again was priced in to the markets, although it came as a surprise that the vote was unanimous. Governor Mark Carney stressed that further increases would be gradual, highlighting three particular headwinds: household and government deleveraging, low productivity and a higher degree of uncertainty of Brexit.

On the economic front, GDP growth for the second quarter came in at 1.5% on an annualised basis, which was in line with expectations but slightly lower than the BoE's forecasts. Inflation also came in lower than the BoE's forecasts, with the consumer price index (CPI) at 2.5% year on year and core CPI at 1.9% year on year in July.

The Managed Cash portfolio returned 0.3% on net assets for the period. The Company continues to retain its broad diversification across a range of the UK's leading AAA-rate sterling liquidity funds. The primary aim of the funds the Managed Cash portfolio invests in is to provide preservation of capital and liquidity with a yield in line with money market rates as a secondary aim.

GDP Growth was in line with expectations for the second quarter at 1.5%

The UK faces a unique set of secular and shorter-term uncertainties. The UK's impending departure from the European Union (EU) already seems to be affecting the country's medium-term prospects. Immigration from the rest of the EU has slowed sharply, a direct hit to the economy's potential growth rate. Persistent weakness in capital expenditure may also partly reflect Brexit uncertainty. Meanwhile, since the referendum the economy appears to have moved further into late-cycle territory, with the unemployment rate at its lowest level since the 1970s and inflation running close to the BoE's target. Continued growth has come at the expense of the private sector's financial position, now the most stretched in several decades, largely reflecting a very low household saving rate. The UK economy thus looks vulnerable to retrenchment in the face of shocks. This set of circumstances sets up a tricky challenge for the BoE. Purely cyclical considerations argue for steady monetary tightening even as the economy prepares for a leap into the unknown. We see an elevated risk of poor outcomes for the UK, even assuming Brexit negotiations conclude more or less successfully, and think a weakening of the currency will help the economy re-adjust in the new world.

Katy Thorneycroft
Investment Manager

8th November 2018

TEN YEAR FINANCIAL RECORD

As at 31st August	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net asset value per share (p)	101.5	100.3	100.7	101.2	101.1	100.9	101.2	101.5	101.7	102.2	102.2
Share price (p)	100.5	100.0	100.0	100.5	100.5	100.5	100.5	100.0	100.3	101.0	101.0
Discount (%)	1.0	0.3	0.7	0.7	0.7	0.4	0.7	1.5	1.4	1.2	1.2
Year ended 31st August											
Revenue return per share (p)	4.17	1.56	0.22	0.43	0.39	0.17	0.34	0.37	0.39	0.22	0.30
Dividends per share (p)	4.07	1.70	0.00	0.35	0.50	0.15	0.35	0.35	0.35	0.35	0.35
Ongoing charges (%)	0.16	0.21	0.20	0.19	0.24	0.22	0.02	0.02	0.02	0.02	0.02

A glossary of terms and alternative performance measures is provided on pages 103 to 105.

LIST OF INVESTMENTS AT 31ST AUGUST 2018

	Yield %[1]	Rating[2]	Valuation £'000	%
BlackRock ICS Institutional Sterling Liquidity Fund	0.47	AAA	1,103	16.8
JPMorgan Sterling Liquidity Fund	0.49	AAA	1,103	16.8
Insight Sterling Liquidity Fund	0.47	AAA	1,096	16.7
Deutsche Global Liquidity Fund	0.46	AAA	1,090	16.7
Fidelity Institutional Sterling Liquidity Fund	0.46	AAA	1,085	16.6
Aberdeen Sterling Liquidity Fund	0.46	AAA	1,070	16.4
Total Investments			**6,547**	**100.0**

[1] Annual yield to 31st August 2018. Source: IMMFA Money Fund Report, iMoneyNet.

[2] Ratings given by Standard & Poor's as at 31st August 2018.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST AUGUST 2018 (UNAUDITED)

	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Income from investments	19	–	19	12	–	12
Gross return	**19**	**–**	**19**	**12**	**–**	**12**
Other administrative expenses	(1)	–	(1)	(1)	–	(1)
Net return on ordinary activities before taxation	**18**	**–**	**18**	**11**	**–**	**11**
Taxation	(2)	–	(2)	(1)	–	(1)
Net return on ordinary activities after taxation	**16**	**–**	**16**	**10**	**–**	**10**
Return per Managed Cash share	**0.30p**	**0.00p**	**0.30p**	**0.22p**	**0.00p**	**0.22p**

STATEMENT OF FINANCIAL POSITION

AT 31ST AUGUST 2018 (UNAUDITED)

	2018 £'000	2017 £'000
Fixed assets		
Investments held at fair value through profit or loss	6,547	5,008
Current assets		
Debtors	1	386
Cash and cash equivalents	1,458	7
	1,459	393
Current liabilities		
Creditors: amounts falling due within one year	(168)	(3)
Net current liabilities	**1,291**	**390**
Net assets	**7,838**	**5,398**
Net asset value per Managed Cash share	**102.2p**	**102.2p**

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, the investment policies and risk management, investment restrictions and guidelines, performance, revenue and dividends, and key performance indicators as they relate to each of the share classes. In addition, it includes Employees, Social, Community and Human Rights Issues, Greenhouse Gas Emissions, the Modern Slavery Act 2015, Principal Risks and how the Company seeks to manage those risks, and finally its Long Term Viability.

Structure and Objective of the Company

JPMorgan Elect plc is an investment trust company that has a premium listing on the London Stock Exchange. In seeking to achieve its objectives, the Company employs JPMF which, in turn, delegates portfolio management to JPMAM to manage the Company's assets actively. The Board has determined investment policies and related guidelines and limits. These objectives, investment policies and related guidelines and limits are detailed below.

The Company is subject to UK and European legislation and regulations including: UK company law, UK Financial Reporting Standards, the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

The Board holds an annual strategy meeting at which the Company's objectives and policies are reviewed in detail. The Board seeks to determine whether the strategies in place are conducive to meeting the expectations of shareholders. As part of this exercise, the performance of each of the Company's share classes is monitored against the respective objectives, policies and targets. The process also includes the taking into account of shareholder views. Alternative strategies are modelled, considered and discussed to determine whether their implementation may be appropriate.

Managed Growth

Objective

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

Investment Policies and Risk Management

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

Investment Restrictions and Guidelines

- The Investment Manager must obtain Board approval for any new investment in excess of 10% of the portfolio's gross assets.
- The portfolio does not invest more than 10% of its gross assets in any company that itself may invest more than 15% of its gross assets in UK listed investment companies.
- An investment in any open-ended fund will not exceed 25% of the market capital of the investee fund.
- Investments in third party managed funds will not normally exceed 40% of the portfolio's gross assets (amended with effect from 28th June 2018).
- Board permission has been granted for the limited use of futures for tactical asset allocation purposes. Other than this, the portfolio will not normally invest in derivative instruments - prior approval is required from the Board if such an investment is desired.
- The Board does not intend to utilise borrowings to increase the funds available for investment for the Managed Growth share class. The Board monitors closely the level of indirect gearing through the underlying investments.
- The underlying portfolio should be invested 95-120%.

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

Managed Income

Objective

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

Investment Policies and Risk Management

In order to achieve its stated investment policy and to seek to manage investment risks, the Managed Income portfolio is invested in a diversified portfolio of UK equities (including investment companies), fixed income securities and open-ended funds. The number of investments in the portfolio will normally range between 50 and 80.

Investment Restrictions and Guidelines

- The portfolio does not invest more than 10% of its gross assets in any company that itself may invest more than 15% of its gross assets in UK listed investment companies.
- The Investment Managers may write options within parameters set by the Board. Prior approval is required from the Board for investment in all other derivative instruments. Board permission has been granted for the limited use of futures for tactical asset allocation purposes.
- The Managed Income share class has the ability to use short term gearing and its policy is to operate within a gearing range of 15% net cash to 12.5% geared measured at the time of drawdown.

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

Managed Cash

Objective

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

Investment Policies and Risk Management

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

Investment Restrictions and Guidelines

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

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

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

Performance

Managed Growth:

In the year ended 31st August 2018, the Managed Growth portfolio produced a total return to shareholders of +14.1% and a total return on net assets of +13.6%. This compares with the total return on the composite benchmark index of +8.1%. As at 31st August 2018, the value of the Managed Growth investment portfolio was £277.1 million. The Investment Managers' Report on pages 11 to 13 includes a review of developments during the year as well as information on investment activity within the portfolio.

Managed Income:

In the year ended 31st August 2018, the Managed Income portfolio produced a total return to shareholders of +2.9% and a total return on net assets of +1.3%. This compares with the total return on the benchmark index of +4.6%. As at 31st August 2018, the value of the Managed Income investment portfolio was £81.3 million. The Investment Managers' Report on pages 20 to 23 includes a review of developments during the year as well as information on investment activity within the portfolio.

Managed Cash:

In the year ended 31st August 2018, the Managed Cash portfolio produced a total return to shareholders of +0.4% and a total return on net assets of +0.3%. There is no benchmark for this share class other than to maintain the net asset value as close to 100p per share as possible. As at 31st August 2018, the value of the investment portfolio was £6.5 million. The Investment Managers' Report on pages 30 to 31 includes a review of developments during the year.

Revenue and Dividends

Full details of the dividends paid and declared on the Managed Growth, Managed Income and Managed Cash share classes during the year are given in note 10 on pages 77 and 78.

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; performance against the Company's peers; share price discount/premium to net asset value per share; ongoing charges; and dividends.

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and information on the performance of the portfolios is given in the Investment Managers' Reports. With effect from 1st March 2018, the Managed Income Share's benchmark changed to the FTSE All-Share Index.

Performance against the benchmark index - Managed Growth

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST AUGUST 2008

Source: Morningstar/FTSE.

-- JPMorgan Elect Managed Growth - share price total return.

— JPMorgan Elect Managed Growth - net asset value per share total return.

— Benchmark index total return.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 AT 31ST AUGUST 2008

Source: Morningstar/FTSE.

-- JPMorgan Elect Managed Growth - share price total return.

— JPMorgan Elect Managed Growth - net asset value per share total return.

— The benchmark index is represented by the horizontal black line.

Performance against the benchmark index[1] - Managed Income

Ten Year Performance

FIGURES HAVE BEEN REBASED TO 100 AT 31ST AUGUST 2008

Source: Morningstar/FTSE.

-- JPMorgan Elect Managed Income - share price total return.

— JPMorgan Elect Managed Income - net asset value per share total return.

— Benchmark index total return.

[1] The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index (total return) and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling). Prior to 28th February 2009, the benchmark was a composite comprising 85% FTSE 350 High Yield Index (total return) and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

Performance Relative to Benchmark Index[1]

FIGURES HAVE BEEN REBASED TO 100 AT 31ST AUGUST 2008

Source: Morningstar/FTSE.

-- JPMorgan Elect Managed Income - share price total return.

— JPMorgan Elect Managed Income - net asset value per share total return.

— The benchmark index is represented by the horizontal black line.

[1] The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index (total return) and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged in sterling). Prior to 28th February 2009, the benchmark was a composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

- **Performance against the benchmark index - Managed Cash**
  There is no benchmark for the Managed Cash share class, other than to maintain the net asset value as close to 100p per share as possible.

- **Performance against the Company's peers - Managed Growth and Managed Income**
  The principal objective of the Managed Growth share class is to achieve capital growth. The principal objective of the Managed Income share class is to achieve growing income with the potential for long term capital growth. However, the Board also monitors the performance of the Managed Growth and Managed Income share classes relative to a broad range of competitor funds.
- **Share price (discount)/premium to net asset value ('NAV') per share**
  The Board has for several years operated share issue and repurchase programmes which seek to address imbalances in supply and demand of the Company's shares within the market and thereby seek to reduce the volatility and absolute level of the discount/premium to NAV per share at which the Company's shares trade.

Share price (discount)/premium to NAV per share - Managed Growth

Source: Morningstar.

—— JPMorgan Managed Growth - Share price (discount)/premium to cum income net asset value per share (month end data).

In the year to 31st August 2018, the Managed Growth shares traded between a discount of 1.9% and 3.7% (based on month end data).

Share price (discount)/premium to NAV per share - Managed Income

Source: Morningstar.

—— JPMorgan Managed Income - Share price (discount)/premium to cum income net asset value per share (month end data).

In the year to 31st August 2018, the Managed Income shares traded between a discount of 1.1% and 3.6% (based on month end data).

Share price (discount)/premium to NAV per share - Managed Cash

Source: Morningstar.

—— JPMorgan Managed Cash - Share price (discount)/premium to cum income net asset value per share (month end data).

In the year to 31st August 2018, the Managed Cash shares traded between a discount of 0.9% and 1.7% (based on month end data).

- **Ongoing charges - Managed Growth, Managed Income and Managed Cash**
  The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The Managed Growth ongoing charges for the year ended 31st August 2018 were 0.54% (2017: 0.55%), the Managed Income ongoing charges were 0.74% (2017: 0.71%) and the Managed Cash ongoing charges were 0.02% (2017: 0.02%). Each year, the Board reviews an analysis which shows a comparison of the Managed Growth and Managed Income ongoing charges and its main expenses with those of its peers.
- **Income Return - Managed Income**
  The Board regards growing the income return as the first priority for the Managed Income share class. The Board monitors forecast levels at each Board meeting and receives analyses from the Manager accordingly.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Board notes the policy statements of JPMAM in respect of Social, Community and Environmental and Human Rights issues, as set out in italics below:

"JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and

governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. Our detailed approach to how we implement the principles is available on request".

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company is managed by JPMF with delegation of the active management of the Company's assets to JPMAM. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. In assessing the risks and how they can be mitigated, the Board has given particular attention to those issues that threaten the viability of the Company. These key risks fall broadly under the following categories:

- **Investment Strategy**
  An inappropriate investment strategy, for example asset allocation, or the level of indirect gearing, may lead to underperformance against the relevant benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, transaction reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Managed Income share class may utilise gearing to achieve its investment exposure. The Board also monitors closely the level of indirect gearing through the underlying investments. The Board holds a strategy meeting each year.
- **Market**
  Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss that the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of indirect gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Manager. The Board monitors the implementation and results of the investment process with the Manager.
- **Accounting, Legal and Regulatory**
  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under 'Structure and Objective of the Company' above. Were the Company to breach Section 1158, it might lose investment trust status and, as a consequence, gains within the Company's portfolios could be subject to UK capital gains tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares have premium listings on the London Stock Exchange, the UKLA Listing Rules, the Disclosure Guidance and Transparency Rules ('DTRs'), the Market Abuse Regulations ('MAR') and, as an investment trust, the Alternative Investment Fund Managers Directive ('AIFMD'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or being the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs, MAR and AIFMD. The Board

conducts an annual evaluation of the Company Secretary and the Manager, further details can be found on page 47.

- **Corporate Governance and Shareholder Relations**
  Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 45 to 49.
- **Operational**
  Loss of key staff by the Manager or JPMorgan Asset Management (UK) Limited, such as the Investment Managers, could affect the performance of the Company. Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or Custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Under the terms of its agreement, the Depositary has strict liability for the loss or misappropriation of assets held in custody. Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective internal controls are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 45 to 49.
- **Cyber Crime**
  The threat of cyber attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has assured Directors that the Company benefits directly or indirectly from all elements of JPMorgan's cyber security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by an independent third party and reported every six months against the AAF Standard.
- **Financial**
  The financial risks faced by the Company include market price risk, interest rate risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 86 to 91.

Long Term Viability

In accordance with the 2016 UK Corporate Governance Code, the Board has assessed the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision. The provisions require the Board to explain, taking account of the Company's current position and principal risks, how they have assessed its prospects and over what period and why they consider that period to be appropriate.

The Directors have determined that a five year period is an appropriate period over which to provide its viability statement. This period aligns with the Company's objective of providing long term capital growth and is the minimum period of time that shareholders ought to consider an investment in the Company.

In making this assessment the Directors have taken into account the Company's current position and have conducted a robust assessment of its principal risks and uncertainties (as detailed on pages 39 and 40), in particular the risk that the portfolio's securities could reduce in value in a falling market.

The assessment identified the following features which support the Company's ability to continue in operation and meet its liabilities as they fall due over the five year period:

- the vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due;
- the essential services required by the Company are outsourced to third party service providers. This allows key service providers to be replaced at relatively short notice where necessary;
- as at 31st August 2018 the Company had a cash balance of £6,817,000 which can be used to meet its liabilities in the short term;
- as a 12th June 2018, the Company arranged and has available a new £20 million two year multicurrency revolving credit facility with Scotiabank; and
- the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position.

Based on the results of its review, and taking into account the long term nature of the Company and its financing, the Board has a reasonable expectation that the Company will be able to continue its operations and meet its expenses and liabilities as they fall due for at least the next five years.

Faith Pengelly

By order of the Board
Faith Pengelly, for and on behalf of
JPMorgan Funds Limited
Secretary

8th November 2018

Directors' Report

BOARD OF DIRECTORS

Alan Hodson Chairman of the Board and Nomination Committee
A Director since January 2012.
Appointed Chairman: 12th January 2018.
Last reappointed to the Board 2018.
Remuneration: £36,500.
Alan Hodson is a non-executive Director of HarbourVest Global Private Equity Limited and Woodford Patient Capital Trust plc. Mr Hodson joined SGWarburg (subsequently UBS) in 1984, rising to Global Head of Equities, a member of the Executive Committee of UBS Investment Bank and of the UBS AG Group Managing Board until his retirement in June 2005.
Connections with Manager: None.
Shared directorships with other Directors: None.
Current shareholding in the Company: 10,000 Managed Growth shares and 25,000 Managed Income shares.

Carla Stent
A Director since April 2015.
Last reappointed to the Board 2018.
Remuneration: £25,500.
Carla Stent is a director of Marex Spectron Limited and Post Office Limited (including Chair of the Audit, Compliance and Risk Committees) and is Deputy Chair of the Power to Change Trust. Ms Stent also serves as chairwoman of several start-up companies. She spent over 20 years in senior, international executive positions in banking, branded private equity and retail industries for blue chip organisations such as Barclays Bank plc, Thomas Cook AG and the Virgin Group. Ms Stent is a qualified Chartered Accountant, she has had direct responsibility for finance, post-merger integration, strategy, business operations, brand development and business transformation.
Connections with Manager: None.
Shared directorships with other Directors: None.
Current shareholding in the Company: 4,919 Managed Growth Shares.

Roger Yates
A Director since August 2009.
Last reappointed to the Board 2018.
Remuneration: £25,500.
Roger Yates is a non-executive director of St James's Place plc, Jupiter Fund Management Plc and Mitie Plc. He was chief executive of Henderson Group plc from 1999 to 2008 and, prior to that, chief investment officer of Invesco Global and Morgan Grenfell Investment Management Limited. He has 35 years' experience in the fund management industry having begun his career with GT Management Limited in 1981.
Connections with Manager: None.
Shared directorships with other Directors: Jupiter Fund Management plc.
Current shareholding in the Company: 25,000 Managed Income shares.

Karl Sternberg Senior Independent Director
A Director since December 2016.
Last reappointed to the Board: 2018.
Current remuneration: £25,500.
Karl Sternberg is a Director of Jupiter Fund Management plc, Lowland Investment Company, Monks Investment Trust, Clipstone Logistics REIT, Herald Investment Trust, Alliance Trust and Railway Pension Investments. He is formerly the Chief Investment officer of Deutsche Asset Management Ltd and he was the Chief Executive of Oxford Investment Partnership. He is also a Fellow of St Catherine's College Oxford.
Connections with Manager: None.
Shared directorships with other Directors: Jupiter Fund Management plc.
Current shareholding in the Company: 2,085 Managed Growth Shares and 13,650 Managed Income Shares.

James Robinson Chairman of the Audit Committee.
A Director since April 2012.
Last reappointed to the Board 2018.
Remuneration: £31,000.
James Robinson is chairman of Polar Capital Global Healthcare Trust plc and a director of Montanaro UK Smaller Companies Investment Trust plc. He was chief investment officer, investment trusts and director of hedge funds at Henderson Global Investors prior to his retirement in 2005. A chartered accountant, Mr Robinson has 37 years' investment experience.
Connections with Manager: None.
Shared directorships with other Directors: None.
Current shareholding in the Company: 5,000 Managed Growth shares.

Rupert Dickinson
Recommended by the Board to be appointed as a Director as of 19th December 2018, subject to Shareholders approval.
Remuneration: At present none. Once formally appointed, £25,500.
Rupert Dickinson joined Barclays Bank Plc in 2000 rising to Chief Executive of Barclays Stockbrokers Limited and a member of the Executive Committee of the Wealth Management division from 2012, until his retirement in 2018. A trained lawyer and qualified chartered accountant, Mr. Dickinson has 20 years' experience in the Wealth and Investment Platform industry in executive, strategic, governance and finance roles. He has also served as a non-executive director of PIMFA and Absa Stockbrokers and Portfolio Management Limited.
Connections with Manager: None
Shared directorships with other Directors: None.
Current shareholding in the Company: Nil.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.
Note: Remuneration figures stated are those paid from 1st September 2018, see page 53 for details.

The Directors present their report and the audited financial statements for the year ended 31st August 2018.

Management of the Company

The Manager and Company Secretary is a wholly owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides banking, dealing and custodial services to the Company.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed The Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows. With effect from 1st June 2018, the legal entity of the depository changed to the Bank of New York Mellon (International) Limited, by a deed of novation.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmelect.co.uk There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

As an authorised AIFM, JPMF makes the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

Management Fee

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

- Managed Growth assets: The management fee is 0.3% per annum on assets invested in JPMorgan managed funds and 0.6% per annum on assets invested in non-JPMorgan managed funds and direct investments. Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of 50% of the underlying fee which is paid back to the Company.
- Managed Income assets: The management fee is 0.6% per annum on assets invested in non-JPMorgan managed funds and direct investments. Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of 50% of the underlying fee. There is no management fee on assets invested in JPMorgan managed funds.
- Managed Cash assets: no management fee charged.

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

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which was in place during the year and as at the date of this report. An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Independent Auditors

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

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 of which the Company's auditor is unaware, and

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

Share Capital Structure and Voting Rights

As at 31st August 2018, there were 110,725,061 fully paid Ordinary shares in issue (excluding shares held in Treasury) made up of 31,911,803 Managed Growth shares, 71,143,249 Managed Income shares and 7,670,009 Managed Cash shares. Each of the Ordinary shares are listed on the London Stock Exchange. Ordinary shares carry the right to attend, speak and vote at General Meetings of the Company. The percentage of total voting rights is calculated by reference to the NAVs per share which, as at 31st August 2018 were as follows:

Managed Growth	8.793
Managed Income	1.140
Managed Cash	1.022

Of all Ordinary shares outstanding at the year-end 28.8% were Managed Growth Shares, 64.2% were Managed Income Shares and 6.9% were Managed Cash Shares.

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

The Directors have, on behalf of the Company, the authority both to repurchase shares in the market either for cancellation, or for holding in Treasury and to issue new shares for cash or from Treasury on behalf of the Company. Resolutions to renew the authority to issue new Ordinary shares and to repurchase Ordinary shares for cancellation and/or for holding in Treasury will be put to shareholders for approval at the Annual General Meeting. The full text of these Resolutions is set out in the Notice of Annual General Meeting on pages 99 to 102.

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

Details of the Ordinary shares issued, repurchased and converted during the year are set out in note 15 on pages 81 and 82.

There are also 50,000 Founder shares of £1 each in issue, partly paid as to 25p each. The Founder shares are non-voting and carry the right to receive a fixed dividend at the rate of 0.01% on their nominal value. However, the holders of the Founder shares have waived the right to receive such dividends. The Founder shares are not listed on a regulated market.

Notifiable Share Interests

At 31st August 2018, the following had declared a notifiable interest in the Company's voting rights:

Shareholder	Number of Managed Cash Shares	Number of Managed Growth Shares	Number of Managed Income Shares	Percentage of Total Voting Rights
Brewin Dolphin Limited	15,800	626,187	6,647,152	3.71

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

The Company is aware that as at 31st August 2018, approximately 30.8% of the Company's total voting rights were held by individuals through the savings products managed by J.P. Morgan Asset Management and registered in the name of Chase Nominees Limited. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances J.P. Morgan Asset Management has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Criminal Corporate Offence

The Company has zero tolerance for tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it is seeking assurance from its service providers that effective policies and procedures are in place.

Annual General Meeting

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

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

(i) Authority to allot new shares and disapply statutory pre-emption rights (resolutions 10 and 11)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash or by way of a sale of Treasury shares up to 3,191,180 Managed Growth shares, 7,114,324 Managed Income shares and 767,000 Managed Cash shares (excluding Treasury shares) or, if different, the number of Ordinary shares which is equal to approximately 10% of the issued share capital (excluding Treasury shares) of each share class of the Company as at the date of the passing of the resolution. This authority will expire at the conclusion of the next Annual General Meeting of the Company unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

(ii) Authority to repurchase the Company's shares (resolution 12)

The authority to repurchase up to 14.99% of the shares of any class of the Company's issued share capital, granted by shareholders at the 2018 Annual General Meeting, will expire on 12th June 2019 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV of a particular share class enhances the NAV of the remaining shares of that share class.

Resolution 12 gives the Company authority to repurchase its own issued ordinary shares of any class in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding Treasury shares) of each share class as at the date of the passing of this resolution. The authority also sets minimum and maximum prices.

If resolution 12 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. During the year ended 31st August 2018, shares repurchased were held in Treasury or cancelled. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares of that share class as and when market conditions are appropriate. This authority will expire at the conclusion of the next Annual General Meeting of the Company to be held in 2019, or, if earlier, on the date immediately preceeding the date which is 18 months after the passing of resolution 12. However, it is the Board's intention to seek renewal of the authority at the next Annual General Meeting.

(iii) Approval of the proposed Contingent Purchase Contract (resolution 13)

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

Recommendation

The Board considers that resolutions 10 to 12 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amounted in aggregate to 22,004 Managed Growth and 63,650 Managed Income shares representing less than 1% of the voting rights of the Company as at the year end.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 57, indicates how the Company has applied the principles and complied with the provisions set out in the Financial Reporting Council's UK Corporate Governance Code September 2016 version (the 'UK Code'), which can be accessed at www.frc.org.uk. The Company is also required to comply with the Code of Corporate Governance (the 'AIC Code') issued by the Association of Investment Companies (AIC) which can be accessed at www.theaic.co.uk.

Companies who report against the AIC Code and who follow the AIC Guide meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UKLA Listing Rules.

The Board has considered the principles and recommendations of the UK Code and the AIC Code and considers that, throughout the year under review and insofar as they are relevant to the Company's business, the Company has complied with the best practice provisions except for the following:

- Role of the CEO as the Company does not appoint a CEO;
- Executive Director remuneration as the Company does not appoint Executive Directors; and

Corporate Governance Statement continued

- Internal audit function as the Company relies on the internal audit department of the Manager.

The revised UK Corporate Governance Code ('the 2018 code') was published in July 2018 and applies to accounting periods beginning on or after 1st January 2019. The Board will report on compliance with the 2018 code and any revised code published by the AIC in 2020.

Board Composition

The Board, chaired by Alan Hodson, currently consists of five non-executive Directors, all of whom are regarded by the Board as independent, 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 42. There have been no changes to the Chairman's other significant commitments during the year under review. The Board constructively challenges the Manager, who assists the Board in the development of the Company's strategy.

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 on pages 47 and 48.

Meetings and Committees

The Board meets on at least four occasions 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.

The Board delegates certain responsibilities and functions to its Committees. Committee membership is detailed in the Directors' biographies on page 42. The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were four Board meetings, three Audit Committee meetings and two Nomination Committee meetings. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, there is regular contact between the Directors, the Manager and Company Secretary throughout the year.

Meetings Attended

Director	Board	Audit Committee	Nomination Committee
Angus Macpherson[1]	2	2	0
Alan Hodson	4	3	2
James Robinson	4	3	2
Carla Stent	4	3	2
Karl Sternberg	4	3	2
Roger Yates	4	3	2

[1] Retired as a director on 14th January 2018.

Training and Appraisal

On appointment, the Manager and Company Secretary provide all Directors with a formal and tailored induction. Thereafter regular briefings and training is 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 the Company.

Role of the Board

A management agreement between the Company and the Manager sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and 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 has procedures in place to deal with potential conflicts of interest and confirms that the procedures have operated effectively during the year under review.

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, who is responsible to the Board for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that the length of service in itself necessarily disqualifies a Director from seeking reappointment but when making a recommendation, the Board will take into account the requirements of the UK Code and AIC code, including the need to refresh the Board and its Committees.

The Company's Articles of Association require that Directors stand for reappointment at least every three years. However, the Board has taken a decision to adopt corporate governance best practice, resulting in annual reappointment for all Directors.

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

Evaluation of the Manager

The Board has reviewed the investment management and company secretarial services provided to the Company by the Manager. This review, which is conducted on an annual basis, included investment performance, risk management, administration, controls and compliance. The review concluded that the Manager's overall performance for the year was satisfactory. The Board therefore believes that the continuing appointment of the Manager for the provision of these services, on the terms agreed, continues to be in the best interests of shareholders as a whole.

Evaluation of Other Service Providers

The Board also carries out reviews of its other key service providers.

Role of the Depositary

The Depositary is responsible for the safekeeping of all custodial assets of the Company, for verifying and maintaining a record of all other assets of the Company and for the collection of income that arises from those assets. The Board conducts an annual evaluation of the services provided to the Company by the Depositary.

Board Committees

Audit Committee

The Report of the Audit Committee is set out on pages 50 and 51.

Nomination Committee

Purpose and Responsibilities

The purpose of the Nomination Committee is to review the size, structure and composition of the Board, lead the process for Board appointments, review the adequacy of succession plans, oversee an annual performance evaluation of the Board, the Committees and each of the Directors and to make recommendations on the appropriateness of Directors' fees and the Board's policy on diversity. A full list of the Committee's responsibilities is detailed in the terms of reference, which can be found on the Company's website at www.www.jpmelect.co.uk.

Composition, Skills and Experience

The Nomination Committee, chaired by Alan Hodson consists of all the Directors and meets at least annually. All members of the Nomination Committee are independent non-executive Directors.

As part of the succession planning process Nurole Recruitment Consultants ('Nurole') were appointed, resulting in a decision by the Directors to recommend to shareholders the appointment of Rupert Dickinson as a Director of the Company at the forthcoming AGM. Open advertising was not used as part of the process as it was felt that using Nurole, a specialist recruiting firm, would be most appropriate to the Company's circumstances. Nurole have no other connection with the Board or Manager.

Board and Board Committee Composition

The Nomination Committee assists the Chairman of the Board in his assessment of the skills, experience, knowledge, composition and diversity of the Board and its Committees. Non-executive Directors are appointed by the Board for an initial period which expires at the next Annual General Meeting where they are required to retire and submit themselves for appointment by shareholders.

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

Effectiveness

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

The Board recommends to shareholders that each Director be reappointed at the forthcoming Annual General Meeting.

Independence

The Nomination Committee is responsible for the ongoing assessment of the independence of non-executive Directors, including the independence of the Chairman. In assessing independence, in particular independence from the Manager, the Committee considers whether a Director is independent in character and judgement and whether there are relationships or circumstances, including those contained in the UK Code, which are likely to affect, or could appear to affect, the Director's judgement. It does this with reference to the individual's performance and conduct in reaching decisions.

The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Code, including the need to refresh the Board and its Committees.

Corporate Governance Statement continued

The Committee is satisfied that, throughout the year, all non-executive Directors, including the Chairman, who was independent on appointment, remained independent as to both character and judgement.

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 by way of the annual report and accounts and the half year financial report. These are supplemented by the daily publication, through the London Stock Exchange, of the net asset values of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, presentations are given by the Investment Managers who review the Company's performance.

During the year the Company's brokers, the Investment Managers and JPMF 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 support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 107. The Chairman can also be contacted via the Company's website by following the 'Ask the Chairman' link at www.jpmelect.co.uk.

The Company's annual report and accounts are usually 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 do so via the Company's website or by writing to the Company Secretary at the address shown on page 107.

The Senior Independent Director, Karl Sternberg, is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Risk Management and Internal Control

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

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

Since investment management, depositary services, custody of assets and all administrative services are provided to the Company by the Manager, its associates and the Bank of New York Mellon (International) Limited, the Company's system of risk management and internal control mainly comprises the monitoring of their services 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 the Manager. This arrangement is kept under review. The key elements designed to provide effective risk management and internal control are as follows:

- **Financial Reporting**

  Regular and comprehensive review by the Audit Committee and 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, regulated by the FCA, whose responsibilities are clearly defined in a written agreement.

- **Management Systems**

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

- **Investment Strategy**

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

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

  - maintaining a risk matrix and reviewing the key risks to the Company at each quarterly meeting;

- reviewing the quarterly compliance report received from the Manager;
- receiving a report from the Depositary on the results of its monitoring of the Company's transactions;
- reviewing the terms of the agreements and undertaking an evaluation of each service provider;
- reviewing reports on the internal controls and operations of the custodian, JPMorgan Chase Bank, which is itself independently reviewed; and
- reviewing every six months an independent report on the internal controls and the operations of the Manager.

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 31st August 2018, and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of risk management and internal control, the Board did not identify nor was it advised of any failings or weaknesses which it determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. Set out below in italics is a summary of the policy statements of JPMAM on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on pages 38 to 39.

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

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

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

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

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

By order of the Board
Faith Pengelly, for and behalf of
JPMorgan Funds Limited

8th November 2018

Audit Committee Report

I am pleased to present my formal report to Shareholders as Chairman of the Audit Committee, for the year ended 31st August 2018.

Role and Responsibilities
The purpose of the Audit Committee is to monitor and review the principles, policies and practices adopted in the preparation and audit of the accounts of the Company and the integrity of the financial statements and any other announcement relating to the Company's financial performance. The Committee also monitors the effectiveness of the internal controls and the risk management framework, the external auditors' independence and objectivity, the effectiveness of the audit process, corporate governance standards and regulatory compliance and reports its findings to the Board. A full list of the Committee's responsibilities are detailed in the terms of reference, which can be found on our website at www.jpmelect.co.uk

Composition, Skills and Experience
All members of the Audit Committee, which includes the Chairman of the Board, are independent non-executive Directors and their details are set out on page 42. The Committee meets at least twice each year. In addition, the Audit Committee meets the Auditors at least annually, without any other person present, for a private discussion. I am the Chairman of the Audit Committee. Whilst all members assist the Committee in discharging its responsibilities, for the purposes of the UK Code, as a Chartered Accountant I have recent and relevant financial experience, and the Committee as whole has competence relevant to the sector.

Significant Statements and Significant Accounting Matters
During its review of the Company's financial statements for the year ended 31st August 2018, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the accounts on page 70. Controls are in place to ensure that valuations are appropriate and existence is verified through Depositary and Custodian reconciliations. The Company has appointed The Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the custodian. The audit includes the review of the existence of the investments.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the accounts on page 71. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st September 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.
Calculation of management fee	The management fee is calculated in accordance with the Investment Management Agreement and details of the allocation of rebates are reviewed by the Board. These items are also subject to external audit.
Share capital	The conversions undertaken on a quarterly basis are calculated in accordance with the terms of the Company's Articles of Association and separately reviewed by the Company's auditor.

Going Concern

The Directors, having assessed the Company's investment objectives (see pages 35 and 36), risk management policies (see pages 35 and 36), capital management policies and procedures (see page 91), the nature of the portfolio and expenditure projections, considered it appropriate to adopt the going concern basis of accounting in the preparation of the 2018 annual financial statements. As part of its assessment, the Directors concluded that there are no material uncertainties relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting for a period of at least twelve months from the date of approval of the financial statements.

Whistleblowing

The Committee is satisfied that the Manager has in place a whistleblowing framework through which employees of the Manager, including temporary workers and independent contractors, can make confidential disclosures concerning possible improprieties in financial reporting or other matters, including those that affect the Company. Disclosures can be made directly to the Manager's Compliance team, or anonymously via reporting hotlines which are administered externally.

Internal Audit

The Committee continues to believe that the Company does not require an internal audit function, as it delegates its day-to-day operations to third parties from whom it receives internal control reports. The Board considers it sufficient to rely on the internal audit department of the Manager.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report and Accounts with the Manager and other third party service providers, the Audit Committee has concluded that the Annual Report and Accounts for the year ended 31st August 2018 taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 57.

Auditor Objectivity and Independence

The Committee has implemented safeguards to ensure that the provision of non-audit services does not impair the external Auditors' objectivity or independence. All non-audit fees are approved by the Committee and an assessment of the safeguards is carried out on an annual basis. For the year ended 31st August 2018 the Auditor was paid £8,000 to perform a review of the share conversions.

Auditor Appointment and Tenure

Ernst & Young LLP are the Company's Auditors for the year ended 31st August 2018. They were appointed in 2000 and again, following a public tender exercise, in 2013. The Company will be required to appoint a new audit firm no later than 2023.

Assessment of the Effectiveness of the External Audit Process

The Audit Committee has a primary responsibility for making recommendations to the Board on the reappointment and removal of external Auditors. Representatives of the Company's Auditors attended the Audit Committee meeting at which the draft Annual Report & Accounts were considered and also engage with Directors as and when required.

Having considered the external Auditors' performance, including their technical competence, strategic knowledge, the quality of work, communications and reporting, the Committee was satisfied with the effectiveness of the external audit process and considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

James Robinson
Chairman of the Audit Committee

8th November 2018

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st August 2018, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 59 to 64.

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.

Directors' Remuneration Policy

An ordinary resolution to approve the Directors' Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. It is the Board's intention to put this resolution to shareholders annually. The policy subject to the vote is set out in full below and is currently in force.

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 and retained. 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 those roles.

Reviews of the levels of Directors' remuneration are based on information provided by the Manager, and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide, in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award 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 granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

In the year under review, Directors' fees were paid at the following rates: Chairman £36,000; Chairman of the Audit Committee £30,000; and other Directors £25,000.

During the year, the Board decided to increase the fees paid to Directors to better reflect current market rates, the time spent on the Company's business and to ensure that candidates of a high calibre are recruited to the Board and retained. From 1st September 2018, Director's fees have been paid at the following rates: Chairman £36,500; Chairman of the Audit Committee £31,000; and other Directors £25,500. The increase in Directors' fees remains within the shareholder approved maximum aggregate annual limit of £200,000.

The Company has not sought shareholder views on its remuneration policy. The Nomination Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on pages 46 and 47.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st August 2017 and no changes are proposed for the year ending 31st August 2019.

At the Annual General Meeting held on 12th January 2018, of all votes cast on the Directors' Remuneration Policy (including those votes over which the Chairman was granted discretion) 99.26% were in favour whilst 0.74% were against. Of all votes cast on the Directors' Remuneration implementation report (including those votes over which the Chairman was granted discretion) 99.62% were in favour whilst 0.38% were against. Both resolutions received abstentions from less than 1.0% of all votes cast.

Details of voting on both the Remuneration Policy and the Directors' Remuneration Report for the forthcoming Annual General Meeting will be given in the annual report for the year ending 31st August 2019. The reporting is annually for both the advisory vote on the Directors' Remuneration Report and the binding vote on the Remuneration Policy.

Details of the implementation of the Company's remuneration policy are given below.

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

	2018			2017		
Directors' Name	Fees £	Taxable expenses[2] £	Total £	Fees £	Taxable expenses[2] £	Total £
Alan Hodson[3]	31,997	–	31,997	24,000	–	24,000
James Robinson	30,000	284	30,284	28,500	530	29,030
Carla Stent	25,000	–	25,000	24,000	–	24,000
Karl Sternberg	25,000	–	25,000	17,043	–	17,043
Roger Yates	25,000	58	25,058	24,000	–	24,000
Angus Macpherson[4]	10,784	–	10,784	34,500	–	34,500
Total	147,781	342	148,123	152,043	530	152,573

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto.
[2] Taxable travel and subsistence expenses incurred in attending Board and Committee meetings.
[3] Appointed Chairman 12th January 2018.
[4] Retired 12th January 2018.

A table showing the total remuneration for the Chairman over the five years ended 31st August 2018 is below:

Remuneration for the Chairman over the five years ended 31st August 2018

Year ended 31st August	Fees
2018	£36,000
2017	£34,500
2016	£33,500
2015	£33,500
2014	£33,500

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' shareholdings are detailed below. All shares are held beneficially.

	31st August 2018 or at date of retirement		
Directors	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Alan Hodson	10,000	25,000	—
Angus Macpherson[1]	5,568	–	–
James Robinson	5,000	—	—
Carla Stent	4,919	—	—
Karl Sternberg	2,085	13,650	—
Roger Yates	—	25,000	—
Total	27,572	63,650	—

[1] Retired 12th January 2018.

	31st August 2017		
Directors	Managed Growth Shares	Managed Income Shares	Managed Cash Shares
Alan Hodson	10,000	25,000	–
Angus Macpherson[1]	5,568	–	–
James Robinson	5,000	–	–
Carla Stent	4,919	–	–
Karl Sternberg	2,085	13,650	–
Roger Yates	–	25,000	–
Total	27,572	63,650	–

Audited information
[1] Retired 12th January 2018.

As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings. The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, graphs showing the total return of the Managed Growth and Managed Income share classes compared with their respective benchmarks over the last ten years is shown below. (The benchmarks are a composite comprising 50% FTSE All-Share Index and 50% FTSE World Index (ex-UK) for Managed Growth and the FTSE All-Share Index for Managed Income.) Because these benchmarks are the adopted benchmarks for Managed Growth and Managed Income, they are deemed by the Board to be the most representative comparators for these share classes.

Managed Growth:

Ten Year Share Price and Benchmark Total Return to 31st August 2018

Source: Morningstar.
— Total return to shareholders.
— Benchmark total return.

Managed Income:

Ten Year Share Price and Benchmark Total Return[1] to 31st August 2018

Source: Morningstar.
— Total return to shareholders.
— Benchmark total return.

Source: J.P.Morgan/Bloomberg. The Company's benchmark is the FTSE All-Share Index (total return). Prior to 1st March 2018, the benchmark was a composite comprising 85% FTSE All-Share Index and 15% Bloomberg Barclays Capital Global Corporate Bond Index (hedged) in sterling terms (all total return). Prior to 28th February 2009, the benchmark was a composite comprising 85% FTSE 350 High Yield Index and 15% Merrill Lynch 5-10 year Sterling Corporate Bond Index.

Although the Managed Cash share class has no adopted benchmark, it is a requirement of the Companies Act 2006 to provide a benchmark against which to measure performance for the purposes of the Directors' Remuneration Report. The Board's main objective is to protect investors' capital and so the Managed Cash share price is measured relative to a benchmark of 100p. The Managed Cash share price traded in the range of 98.5p to 103.0p in the ten year period ended 31st August 2018.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 31st August 2018 £	2017 £
Remuneration paid to all Directors	£148,123	£152,573
Distribution to shareholders		
- by way of dividends paid	£7,511,000	£6,104,000
- by way of share repurchases	£12,629,000	£13,204,000

By order of the Board
Alan Hodson
Director

8th November 2018

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and accounts are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

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

and the Directors confirm that they have done so.

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

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

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

Each of the Directors, whose names and functions are listed on page 42, confirms that, to the best of their knowledge:

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

The Board confirms that it is satisfied that the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the strategy and business model of the Company.

For and on behalf of the Board
Alan Hodson
Chairman

8th November 2018

Independent Auditor's Report

To the Members of JPMorgan Elect plc

Opinion

We have audited the financial statements of JPMorgan Elect plc (the 'Company') for the year ended 31st August 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31st August 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 39 and 40 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 39 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 70 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 40 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the Income Statement. • Incorrect valuation and defective title to the investment portfolio.
Materiality	• Overall materiality of £3.70m which represents 1% of shareholders' funds (2017: £3.54m).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the Income Statement (as described on page 50 in the Report of the Audit Committee and as per the accounting policy set out on pages 71 to 72). The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The total revenue received for the year to 31st August 2018 was £9.38 million (2017: £8.45 million), with the majority being revenue from listed investments, 2018: £9.35 million (2017: £8.43 million). The Directors are required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'. During the year, the Company received 8 special dividends, with an aggregate value of £0.23 million.	**We have performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends and we evaluated the design and implementation of controls. We agreed a sample of dividend receipts to the corresponding announcement made by the investee company, recalculated the dividend amount receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. We agreed a sample of investee company dividend announcements from an independent data vendor to the income recorded by the Company to test completeness of the income recorded. For all dividends accrued at the year end, we reviewed the investee company announcements to assess whether the dividend obligation arose prior to 31st August 2018. We agreed the dividend rate to corresponding announcements made by the investee company, recalculated the dividend amount receivable and confirmed this was consistent with cash received as shown on post year end bank statements. We reviewed the income report and the acquisition and disposal report produced by the Administrator to identify special dividends recorded in the year in excess of our testing threshold. There was only one special dividend in excess of our testing threshold. In order to incorporate unpredictability in our testing, we also reviewed four special dividends, below our testing threshold. For the five special dividends we reviewed, we confirmed that the classification as revenue was consistent with the underlying nature of the payment. We reviewed the Company's accounting policies with respect to revenue recognition including special dividends to check that these have been applied as stated throughout the year and are in line with FRS 102 and the AIC SORP.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding revenue recognition and allocation of special dividends. We agreed the sample of dividend receipts to an independent source, recalculating these amounts and agreeing them to the bank statements and noted no issues. We agreed the sample of investee company announcements to the income entitlements recorded by the Company and noted no issues. We recalculated the accrued dividends, agreeing, where possible, to post year end bank statements, and confirming that the income obligation arose prior to 31st August 2018 and noted no issues. We agreed the accounting treatment adopted with respect to the 4 special dividend receipts reviewed and noted no issues. We noted no issues with the application of the Company's accounting policies with respect to revenue recognition including special dividends, are in compliance with FRS 102 and the AIC SORP.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and defective title to the investment portfolio Incorrect valuation and defective title to the investment portfolio (as described on page 50 in the Report of the Audit Committee and as per the accounting policy set out on pages 71 and 72). The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and total return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Company could have a significant impact on the portfolio valuation and the return generated for shareholders. The valuation of the portfolio at 31st August 2018 was £365.00 million (2017: £345.67 million) consisting of listed equities.	**We performed the following procedures:** We obtained an understanding of the Manager's and Administrator's processes and controls surrounding investment pricing and trade processing by performing a walkthrough. For all listed investments in the portfolio, we compared the market values and exchange rates to an independent source. We reviewed the price exception and stale pricing reports produced by the Administrator to highlight and investigate any unexpected price movements in investments held as at the year-end. We agreed the Company's investments to the independent confirmation received from the Company's custodian and depositary as at 31st August 2018.	**The results of our procedures are:** We have no issues to communicate with respect to our assessment of the processes and controls surrounding investment pricing and trade processing. For all listed investments, we noted no material differences in market value and exchange rates when compared to an independent source. We did not identify any issues in our review of the price exception and stale pricing reports produced by the Administrator. We noted no differences between the custodian and depositary confirmation and the Company's underlying financial records.

In the prior year the Company allotted its shares in return for non-cash and cash consideration from JPMorgan Income and Growth Investment Trust plc and M&G High Income Investment Trust plc. In the prior year audit report we included a Key Audit Matter on 'Incorrect accounting for share capital transactions' as the aforementioned share allotment transaction had a significant effect on overall audit strategy, allocation of resources and efforts of the engagement team. During the current year, all share capital transactions have taken place in ordinary course of business, and based on our professional judgement, we have not included 'incorrect accounting for share capital transactions' as a Key Audit Matter in our audit opinion.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £3.70 million (2017: £3.54 million) which is 1% (2017: 1%) of shareholders' funds. We believe that shareholders' funds provides us with materiality aligned to the key measurement of the Company's performance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £2.77 million (2017: £2.65 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we also applied a separate revenue testing threshold of £0.42 million (2017: £0.37 million) for the revenue column of the Statement of Comprehensive Income, being 5% of the revenue profit before taxation.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.18 million (2017: £0.18 million) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 51** - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 50** - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 45 and 46** - the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 57, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Company financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 102, the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed as auditors by the Company and signed an engagement letter prior to our audit of the financial statements for the period ending 31st August 2000 and subsequent financial periods. Our appointment was subsequently ratified at the first annual general meeting of the Company held on 6th December 2000.

The period of total uninterrupted engagement is 19 years, covering the years ending 31st August 2000 to 31st August 2018.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Caroline Mercer *(Senior statutory auditor)*
for and on behalf of
Ernst & Young LLP
Statutory Auditor
Edinburgh

8th November 2018

Notes:

1. The maintenance and integrity of the JPMorgan Elect Trust plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company Financial Statements

FOR THE YEAR ENDED 31ST AUGUST 2018

	Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Gains on investments held at fair value through profit or loss	3	–	28,339	28,339	–	48,656	48,656
Net foreign currency gains		–	9	9	–	18	18
Income from investments	4	9,348	–	9,348	8,431	–	8,431
Interest receivable and similar income	4	36	–	36	22	–	22
Gross return		**9,384**	**28,348**	**37,732**	**8,453**	**48,674**	**57,127**
Management fee	5	(497)	(1,017)	(1,514)	(425)	(894)	(1,319)
Other administrative expenses	6	(551)	–	(551)	(554)	–	(554)
Net return on ordinary activities before finance costs and taxation		**8,336**	**27,331**	**35,667**	**7,474**	**47,780**	**55,254**
Finance costs	7	(24)	(25)	(49)	(1)	(2)	(3)
Net return on ordinary activities before taxation		**8,312**	**27,306**	**35,618**	**7,473**	**47,778**	**55,251**
Taxation credit/(charge)	8	2	–	2	(9)	–	(9)
Net return on ordinary activities after taxation		**8,314**	**27,306**	**35,620**	**7,464**	**47,778**	**55,242**
Return/(loss) per share:	9						
Managed Growth		**14.07p**	**90.78p**	**104.85p**	**12.63p**	**119.11p**	**131.74p**
Managed Income		**5.10p**	**(3.40)p**	**1.70p**	**4.83p**	**11.43p**	**16.26p**
Managed Cash		**0.30p**	**0.00p**	**0.30p**	**0.22p**	**0.00p**	**0.22p**

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. Net return on ordinary activities after taxation represents the profit for the year and also Total Comprehensive Income.

The notes on pages 70 to 91 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST AUGUST 2018

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 31st August 2016	**24**	**85,425**	**–**	**44,694**	**148,307**	**4,550**	**283,000**
Repurchase and cancellation of the Company's own shares	–	–	–	(816)	–	–	(816)
Repurchase of shares into Treasury	–	–	–	(12,388)	–	–	(12,388)
Shares issued as a result of Company rollovers (net of costs)	–	35,190	–	–	–	–	35,190
Share conversions during the year	–	2,253	–	(2,253)	–	–	–
Adjustment on repurchase of deferred shares issued arising from share conversions	(8)	–	8	–	–	–	–
Net return on ordinary activities	–	–	–	–	47,778	7,464	55,242
Dividends paid in the year (note 10)	–	–	–	–	–	(6,104)	(6,104)
At 31st August 2017	**16**	**122,868**	**8**	**29,237**	**196,085**	**5,910**	**354,124**
Repurchase and cancellation of the Company's own shares	–	–	–	(1,579)	–	–	(1,579)
Repurchase of shares into Treasury	–	–	–	(11,050)	–	–	(11,050)
Share conversions during the year	–	11,846	–	(11,846)	–	–	–
Project costs in relation to shares as a result of Company rollover	–	(41)	–	–	–	–	(41)
Net return on ordinary activities	–	–	–	–	27,306	8,314	35,620
Dividends paid in the year (note 10)	–	–	–	–	–	(7,511)	(7,511)
At 31st August 2018	**16**	**134,673**	**8**	**4,762**	**223,391**	**6,713**	**369,563**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

The notes on pages 70 to 91 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31ST AUGUST 2018

	Notes	Growth £'000	Income £'000	Cash £'000	2018 Audited Total £'000	2017 Audited Total £'000
Fixed assets						
Investments held at fair value through profit or loss	11	277,143	81,311	6,547	365,001	345,671
Current assets						
Derivative financial assets	12	168	–	–	168	119
Debtors	12	2,327	770	1	3,098	1,987
Cash and cash equivalents		1,244	4,115	1,458	6,817	6,562
		3,739	**4,885**	**1,459**	**10,083**	**8,668**
Current liabilities						
Creditors: amounts falling due within one year	13	(93)	(58)	(168)	(319)	(184)
Derivative financial liabilities	13	(202)	–	–	(202)	(31)
Net current assets		**3,444**	**4,827**	**1,291**	**9,562**	**8,453**
Total assets less current liabilities		**280,587**	**86,138**	**7,838**	**374,563**	**354,124**
Creditors: amounts falling due after more than one year	14	–	(5,000)	–	(5,000)	–
Net assets		**280,587**	**81,138**	**7,838**	**369,563**	**354,124**
Capital and reserves						
Called up share capital	16	15	1	–	16	16
Share premium	16	40,393	67,374	26,906	134,673	122,868
Capital redemption reserve	16	3	3	2	8	8
Other reserve	16	28,450	(4,542)	(19,146)	4,762	29,237
Capital reserves	16	209,579	13,823	(11)	223,391	196,085
Revenue reserve	16	2,147	4,479	87	6,713	5,910
Total shareholders' funds		**280,587**	**81,138**	**7,838**	**369,563**	**354,124**

		31st August 2018		31st August 2017	
	Note	Net asset value per share (pence)	Net assets attributable £'000	Net asset value per share (pence)	Net assets attributable £'000
Managed Growth	17	879.3	280,587	785.6	264,942
Managed Income	17	114.0	81,138	117.2	83,784
Managed Cash	17	102.2	7,838	102.2	5,398

The financial statements on pages 66 to 69 were approved and authorised for issue by the Directors on 8th November 2018 and are signed on their behalf by:

James Robinson
Director

The notes on pages 70 to 91 form an integral part of these financial statements.

Company registration number: 3845060

FOR THE YEAR ENDED 31ST AUGUST 2018

	Notes	2018 £'000	2017 £'000
Net cash outflow from operations before dividends and interest	18	(2,119)	(1,779)
Dividends received		9,067	8,019
Interest received		44	34
Interest paid		(21)	(3)
Overseas tax recovered		41	20
Net cash inflow from operating activities		**7,012**	**6,291**
Purchases of investments and derivatives		(49,269)	(73,865)
Sales of investments and derivatives		56,916	43,766
Settlement of future contracts		222	1,549
Settlement of foreign currency contracts		4	(13)
Net cash inflow/(outflow) from investing activities		**7,873**	**(28,563)**
Dividends paid		(7,511)	(6,104)
Repurchase of shares into Treasury		(11,050)	(12,388)
Repurchase and cancellation of the Company's own shares		(1,028)	(1,201)
Drawdown of bank loan		5,000	–
Shares issued as a result of Company rollover (net of costs)		–	35,190
Project costs in relation to shares as a result of Company rollover		(41)	–
Net cash (outflow)/inflow from financing activities		**(14,630)**	**15,497**
Increase/(decrease) in cash and cash equivalents		**255**	**(6,775)**
Cash and cash equivalents at start of year		6,562	13,334
Exchange movements		–	3
Cash and cash equivalents at end of year		6,817	6,562
Increase/(decrease) in cash and cash equivalents		**255**	**(6,775)**
Cash and cash equivalents consist of:			
Cash and short term deposits		2,757	1,435
Cash held in JPMorgan Sterling Liquidity Fund		4,060	5,127
Total		**6,817**	**6,562**

The notes on pages 70 to 91 form an integral part of these financial statements.

FOR THE YEAR ENDED 31ST AUGUST 2018

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, and in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014 and updated in February 2018.

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

The financial statements for the Company comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the 'Total' column of the Statement of Financial Position, the Statement of Cash Flows, and the 'Total' column within the Notes to the financial statements.

The Managed Growth, Managed Income and Managed Cash Statement of Comprehensive Income and Statement of Financial Position, together with the notes to those statements are not required under UK GAAP or the SORP, and have not been audited but have been disclosed to assist shareholders' understanding of the net assets and liabilities, and income and expenses of the different share classes.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 40 of the Directors' Report form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year, except in the previous year the Company elected not to prepare a Statement of Cash Flows, applying the exemption from disclosure available under FRS 102 Section 7.1A(c). The Company has since reviewed the application of the exemption and has resolved not to apply it this year as the inclusion of the Statement of Cash Flows supports fuller financial analysis for the benefit of all stakeholders.

(b) Investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

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. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are designated by the Company as 'held at fair value through profit or loss'. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and net asset values based on the latest management accounts. With respect to holdings in Open Ended Investment Companies ('OEICs') or Société d'Investissement à capital variable ('SICAV'), prices are available daily. There are no adjustments or valuation techniques required.

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

(c) Accounting for reserves

Gains and losses on sales of investments and derivatives, including the related foreign exchange gains and losses, management fees allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments and derivatives held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(d) Income

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

Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

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

Underwriting commission and deposit interest are recognised in revenue on an accruals basis.

Stock lending income is taken to revenue on a receipts basis.

Dividends from Real Estate Investment Trusts ('REITs') are taken to revenue on an accruals basis. UK REIT dividends can be Property Income Distribution ('PID') or non-PID for tax purposes, the exact split is provided by the underlying company within the official dividend announcement. PID revenue is taxable whereas non-PID revenue is treated in the same way as dividends from UK companies.

(e) Expenses

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

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

(ii) The management fee on the Managed Income pool of assets is allocated 50% to revenue and 50% to capital in line with the Board's expected split of the revenue and capital return from the Managed Income investment portfolio.

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

0.25% of the total costs of the Company as a whole, excluding savings scheme costs, are allocated to Managed Cash. Expenses charged to the Company, common to Managed Growth and Managed Income are apportioned to the revenue account of each pool in the same proportion as their net assets on a quarterly basis. Expenses charged to the Company in relation to a specific pool are allocated directly to that pool, with the other two pools remaining unaffected.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method and are allocated to revenue and capital in line with the management fee.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. For the Managed Growth and Managed Income pools liquidity funds are considered cash equivalents as they are held for cash management purposes as an alternative to cash.

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

Bank loans are recorded initially at the proceeds received net of direct issue costs. Loans are subsequently recorded at amortised cost using the effective interest method. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

Derivative financial instruments, including futures contracts are based on their quoted price on the futures exchange and are included in current assets or current liabilities. Any profits or losses on the closure or revaluation of positions are recognised in the Statement of Comprehensive Income and taken to capital reserves. Derivative financial instruments are initially recognised and de-recognised on a trade date basis.

1. Accounting policies *continued*

(h) Taxation

Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period.

Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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

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

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

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

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

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

(j) Functional currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's income, expenses, 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 financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

(k) Dividends

Dividends are included in the financial statements in the year in which they are paid.

(l) Repurchase of ordinary shares for cancellation or to be held in Treasury

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

Should shares held in Treasury be reissued, the sale proceeds will be treated as recognised in 'Other reserves' at the value of the original purchase price of those shares. The excess of the sale proceeds over the purchase price will be credited to share premium.

(m) Share issue costs

The costs of issuing shares are charged against any premium received on those shares. If no premium is receivable, the costs are charged to capital reserves.

2. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Board to make judgments, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Board do not believe that any significant accounting judgments or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Gains/(losses) on investments held at fair value through profit or loss

	2018 £'000	2017 £'000
Realised gains on sales of investments held at fair value through profit or loss based on historic cost	14,770	7,117
Amounts recognised in investment holding gains and losses in the previous year in respect of investments sold during the year	(14,628)	(5,910)
Gains on sales of investments based on the carrying value at the previous balance sheet date	142	1,207
Realised gains on close out of futures contracts	222	1,549
Net movement in investment holding gains and losses	28,106	47,271
Unrealised losses on futures contracts	(122)	(1,361)
Other capital charges	(9)	(10)
Total capital gains on investments held at fair value through profit or loss	**28,339**	**48,656**

4. Income

	Managed Growth 2018 £'000	Managed Income 2018 £'000	Managed Cash 2018 £'000	Audited Total 2018 £'000	Audited Total 2017 £'000
Income from investments					
UK dividends	5,122	3,662	–	8,784	7,709
Income from OEICs	137	150	–	287	539
Overseas dividends	–	247	–	247	171
Property income distribution from UK REITs	–	11	–	11	–
Interest on Liquidity stocks held as investments	–	–	19	19	12
	5,259	4,070	19	9,348	8,431
Interest receivable and similar income					
Liquidity and deposit interest	17	9	–	26	18
Stock lending income	4	1	–	5	–
Underwriting commission	–	5	–	5	4
	21	15	–	36	22
Total income	5,280	4,085	19	9,384	8,453

5. Management fee

	Managed Growth 2018 £'000	Managed Income 2018 £'000	Managed Cash 2018 £'000	Audited Total 2018 £'000	Audited Total 2017 £'000
Charged to revenue	260	237	–	497	425
Charged to capital	780	237	–	1,017	894
	1,040	474	–	1,514	1,319

The management fees are included net of rebates. Details of the management fee of each share class are given in the Directors' Report on page 43.

6. Other administrative expenses

	Managed Growth 2018 £'000	Managed Income 2018 £'000	Managed Cash 2018 £'000	Audited Total 2018 £'000	Audited Total 2017 £'000
Administration expenses	213	72	1	286	204
Savings scheme costs[1]	12	14	–	26	100
Directors' fees[2]	114	34	–	148	152
Depositary fees[3]	39	12	–	51	58
Fees paid to the Company's Auditors for the audit of the financial statements[4]	25	7	–	32	32
Fees paid to the Company's Auditors for non-audit related assurance services[5]	6	2	–	8	8
Total charged to revenue	**409**	**141**	**1**	**551**	**554**

[1] Paid to the Manager for administration of saving scheme products. Includes £4,000 (2017: £17,000) irrecoverable VAT.
[2] Full disclosure is given in the Directors' Remuneration Report on pages 53 to 55.
[3] Includes £8,000 (2017: £10,000) irrecoverable VAT.
[4] Includes £5,000 (2017: £5,000) irrecoverable VAT.
[5] Review of quarterly conversion calculations, includes £1,600 (2017: £1,600) irrecoverable VAT.

Further details on how expenses are apportioned between each portfolio are given in note 1(e) on page 71.

7. Finance costs

	2018			2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	24	25	49	1	2	3

8. Taxation

(a) Analysis of tax charge in the year

		2018			2017	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	(2)	–	(2)	9	–	9
Total tax (charges)/credit for the year	**(2)**	**–**	**(2)**	**9**	**–**	**9**

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2017: lower) than the Company's applicable rate of corporation tax for the year of 19.00% (2017: 19.58%). The factors affecting the total tax charge for the year are as follows:

		2018			2017	
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return on ordinary activities before taxation	8,312	27,306	35,618	7,473	47,778	55,251
Net return on ordinary activities before taxation multiplied by the applicable rate of corporation tax of 19.00% (2017: 19.58%)	1,580	5,188	6,768	1,464	9,355	10,819
Effects of:						
Non taxable capital gains	–	(5,387)	(5,387)	–	(9,531)	(9,531)
Non taxable UK dividends	(1,668)	–	(1,668)	(1,509)	–	(1,509)
Non taxable overseas dividends	(73)	–	(73)	(110)	–	(110)
Unutilised expenses	161	199	360	155	176	331
Overseas withholding tax	(2)	–	(2)	9	–	9
Total tax (charges)/credit for the year	**(2)**	**–**	**(2)**	**9**	**–**	**9**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £1,850,000 (2017: £1,517,000) based on a prospective corporation tax rate of 17% (2017: 17%). The UK corporation tax rate is enacted to fall to 17% with effect from 1st April 2020. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. Return per share

	2018 £'000	2017 £'000
Managed Growth		
Return per Managed Growth share is based on the following:		
Revenue return	4,613	4,268
Capital return	29,764	40,242
Total return	**34,377**	**44,510**
Weighted average number of shares in issue during the year	32,786,405	33,786,098
Revenue return per share	14.07p	12.63p
Capital return per share	90.78p	119.11p
Total return per share	**104.85p**	**131.74p**

	2018 £'000	2017 £'000
Managed Income		
Return per Managed Income share is based on the following:		
Revenue return	3,685	3,186
Capital (loss)/return	(2,458)	7,536
Total return	**1,227**	**10,722**
Weighted average number of shares in issue during the year	72,267,350	65,954,477
Revenue return per share	5.10p	4.83p
Capital (loss)/return per share	(3.40)p	11.43p
Total return per share	**1.70p**	**16.26p**

	2018 £'000	2017 £'000
Managed Cash		
Return per Managed Cash share is based on the following:		
Revenue return	16	10
Capital return	–	–
Total return	**16**	**10**
Weighted average number of shares in issue during the year	5,437,542	4,527,799
Revenue return per share	0.30p	0.22p
Capital return per share	0.00p	0.00p
Total return per share	**0.30p**	**0.22p**

10. Dividends

(a) Dividends paid

	2018 £'000	2017 £'000
Managed Growth shares 2017 4th interim dividend paid of 3.00p (2016: 3.15p)	1,011	1,066
Managed Growth shares 2018 1st interim dividend paid of 2.90p (2017: 2.90p)	971	974
Managed Growth shares 2018 2nd interim dividend paid of 2.80p (2017: 2.55p)	919	855
Managed Growth shares 2018 3rd interim dividend paid of 3.50p (2017: 2.55p)	1,135	869
Managed Income shares 2017 4th interim dividend paid of 1.65p (2016: 1.35p)	1,182	692
Managed Income shares 2018 1st interim dividend paid of 1.05p (2017: 0.85p)	746	436
Managed Income shares 2018 2nd interim dividend paid of 1.05p (2017: 0.85p)	766	584
Managed Income shares 2018 3rd interim dividend paid of 1.05p (2017: 0.85p)	764	614
Managed Cash 2017 interim dividend of 0.35p (2016: 0.35p)	17	14
Total dividends paid in the year	**7,511**	**6,104**

In respect of dividends paid during the year ended 31st August 2018:

The 2017 4th interim dividends were paid on 20th September 2017 to shareholders on the register as at the close of business on 25th August 2017.

The 1st interim dividends were paid on 20th December 2017 to shareholders on the register as at the close of business on 24th November 2017.

The 2nd interim dividends were paid on 21st March 2018 to shareholders on the register as at the close of business on 16th February 2018.

The 3rd interim dividends were paid on 21st June 2018 to shareholders on the register as at the close of business on 18th May 2018.

(b) Dividends declared

	2018 £'000	2017 £'000
Managed Growth shares 2018 4th interim dividend payable of 3.90p (2017: 3.00p)	1,254	1,012
Managed Income shares 2018 4th interim dividend payable of 1.35p (2017: 1.65p)	961	1,182
Managed Cash shares 2018 interim dividend of 0.35p (2017: 0.35p)	22	17
Total dividends declared	**2,237**	**2,211**

In respect of the dividends declared, but not paid, during the year ended 31st August 2018, the dividends were paid on 21st September 2018 to shareholders on the register as at the close of business on 24th August 2018.

All dividends in the year have been funded from the revenue reserve.

10. Dividends *continued*

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

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

	2018 £'000	2017 £'000
Managed Growth shares 2018 1st interim dividend paid of 2.90p (2017: 2.90p)	971	974
Managed Growth shares 2018 2nd interim dividend paid of 2.80p (2017: 2.55p)	919	855
Managed Growth shares 2018 3rd interim dividend paid of 3.50p (2017: 2.55p)	1,135	869
Managed Growth shares 2018 4th interim dividend payable of 3.90p (2017: 3.00p)	1,254	1,012
Managed Income shares 2018 1st interim dividend paid of 1.05p (2017: 0.85p)	746	436
Managed Income shares 2018 2nd interim dividend paid of 1.05p (2017: 0.85p)	766	584
Managed Income shares 2018 3rd interim dividend paid of 1.05p (2017: 0.85p)	764	614
Managed Income shares 2018 4th interim dividend payable of 1.35p (2017: 1.65p)	961	1,182
Managed Cash shares interim dividend payable of 0.35p (2017: 0.35p)	22	17
Total dividends for Section 1158 purposes	**7,538**	**6,543**

The revenue available for distribution by way of dividend for the year is £8,314,000 (2017: £7,464,000). The revenue reserve after payment of the final dividends will amount to £4,476,000 (2017: £3,699,000).

11. Investments

	2018 £'000	2017 £'000
Investments listed on a recognised stock exchange	275,240	263,514
Unlisted investments[1]	89,761	82,157
Total investments held at fair value through profit or loss	**365,001**	**345,671**

[1] Unlisted investments comprise investments in mutual funds, bond funds and liquidity funds.

	2018 Listed £'000	 Unlisted £'000	 Total £'000	2017 Listed £'000	 Unlisted £'000	 Total £'000
Opening book cost	170,846	59,068	229,914	135,959	56,902	192,861
Opening investment holding gains	92,668	23,089	115,757	60,514	13,882	74,396
Opening valuation	263,514	82,157	345,671	196,473	70,784	267,257
Movement in the year:						
Purchases at cost	32,711	16,558	49,269	65,865	8,000	73,865
Sales - proceeds	(39,767)	(18,420)	(58,187)	(36,498)	(7,431)	(43,929)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(953)	1,095	142	883	324	1,207
Net movement in investment holding gains	*19,735*	*8,371*	*28,106*	*36,791*	*10,480*	*47,271*
	275,240	89,761	365,001	263,514	82,157	345,671
Closing book cost	172,688	63,078	235,766	170,846	59,068	229,914
Closing investment holding gains	102,552	26,683	129,235	92,668	23,089	115,757
Total investments held at fair value through profit or loss	**275,240**	**89,761**	**365,001**	**263,514**	**82,157**	**345,671**

Transaction costs on purchases during the year amounted to £158,000 (2017: £241,000) and on sales during the year amounted to £35,000 (2017: £30,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £14,628,000 (2017: £5,910,000) were transferred to gains on sales of investments as disclosed in note 16.

12. Current assets

	2018 £'000	2017 £'000
Derivative financial assets		
Futures contracts[1]	168	119
Total	**168**	**119**

[1] Short Euro Stoxx 50 Index Futures at a contract cost of £5,899,000 and a market value of £5,771,000 giving an unrealised asset of £128,000. Long S&P 500 Emini Index futures at a contract cost of £939,000 and a market value of £979,000 giving an unrealised asset of £40,000. These have a settlement date of 21st September 2018.

	2018 £'000	2017 £'000
Debtors		
Securities sold awaiting settlement	1,411	150
Overseas tax recoverable	4	–
Dividends and interest receivable	1,647	1,394
UK Income tax recoverable	17	50
Other debtors	19	7
Amounts due from brokers	–	386
Total	**3,098**	**1,987**

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

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short term deposits. The carrying amount of these represents their fair value.

13. Current liabilities

	2018 £'000	2017 £'000
Creditors: amounts falling due within one year		
Repurchase of the Company's own shares awaiting settlement	166	1
Other creditors and accruals	125	183
Loan interest payable	17	–
Loan non-utilisation fees	11	–
	319	**184**

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

	2018 £'000	2017 £'000
Derivative financial liabilities		
Futures contracts[1]	202	31
	202	**31**

[1] Long FTSE 100 Index fixtures at a contract value of £6,958,000 and a market value of £6,756,000 giving an unrealised liability of £202,000. The settlement date for this contract was 21st September 2018.

14. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loan	5,000	–
	5,000	**–**

On 12th June 2018, the Company arranged a new £20 million two year floating rate multicurrency revolving credit facility with Scotiabank. Interest on the loan is payable at a margin of 0.925% plus either LIBOR or EURIBOR plus the 'mandatory cost' rate, which is the lenders cost of complying with certain regulatory requirements.

Under the terms of this agreement, the Company may draw down up to £20 million.

As at 31st August 2018, the Company had drawn down £5 million on this facility with Scotiabank at an interest rate of 1.56%.

15. Called up share capital

	2018 Number of shares	2017 Number of shares
Managed Growth[1]		
Shares in issue at the beginning of the year	33,725,314	33,838,279
Shares issued as a result of rollover	–	1,337,982
Net share conversion reduction	(850,829)	(51,818)
Shares repurchased into Treasury	(962,682)	(1,399,129)
Closing balance of shares in issue (excluding Treasury shares)	**31,911,803**	**33,725,314**
Shares held in Treasury at the beginning of the year	5,039,467	3,640,338
Shares repurchased into Treasury	962,682	1,399,129
Closing balance of shares held in Treasury	**6,002,149**	**5,039,467**
Closing balance of shares in issue (including Treasury shares)	**37,913,952**	**38,764,781**
Managed Income[2]		
Shares in issue at the beginning of the year	71,482,274	51,506,786
Shares issued as a result of rollover	–	21,948,830
Net share conversion increase	2,652,262	184,155
Shares repurchased into Treasury	(2,991,287)	(2,157,497)
Closing balance of shares in issue (excluding Treasury shares)	**71,143,249**	**71,482,274**
Shares held in Treasury at the beginning of the year	4,555,996	2,398,499
Shares repurchased into Treasury	2,991,287	2,157,497
Closing balance of shares held in Treasury	**7,547,283**	**4,555,996**
Closing balance of shares in issue (including Treasury shares)	**78,690,532**	**76,038,270**
Managed Cash[3]		
Shares in issue at the beginning of the year	5,280,422	3,731,318
Shares issued as a result of rollover	–	2,205,281
Net share conversion increase	3,940,747	157,573
Shares redeemed	(1,551,160)	(285,347)
Shares repurchased for cancellation	–	(528,403)
Closing balance of shares in issue	**7,670,009**	**5,280,422**
Founder Shares[4]		
Shares of £1 each (25p partly paid) in issue at the beginning and end of the year	**50,000**	**50,000**

[1] Fully paid ordinary shares, which have a par value of 0.00427188p each as at the date of these financial statements, carry 7.86 votes per share and carry the right to receive dividends.

[2] Fully paid ordinary shares, which have a par value of 0.001p each, carry 1.17 votes per share and carry the right to receive dividends.

[3] Fully paid ordinary shares, which have a par value of 0.001p each, carry 1.02 votes per share and carry the right to receive dividends.

[4] Partly paid as to 25p each Founder Share, which have a par value of £1 each, carry no voting rights and carry the right to receive a fixed dividend at the rate of 0.01% of their nominal value. However, the holders have waived the right to receive such dividends.

15. Called up share capital *continued*

During the year, 962,682 (2017: 1,399,129) Managed Growth shares, 2,991,287 (2017: 2,157,497) Managed Income shares and nil (2017: nil) Managed Cash shares were repurchased into Treasury for a total consideration of £11,050,000 (2017: £12,388,000).

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

Managed Cash shareholders can also elect to have all or part of their holding of such shares repurchased by the Company for cash at the net asset value on each conversion date. During the year, the holders of 1,551,160 (2017: 285,347) Managed Cash shares elected to have those holdings repurchased by the Company in these conversion opportunities for a total consideration of £1,579,000 (2017: £288,000).

During the prior year, Managed Growth issued 313,428 shares, Managed Income issued 18,059,588 shares and Managed Cash issued 422,142 shares for an aggregate consideration of £21,512,000 to the shareholders of JPMorgan Income & Growth Investment Trust plc, who opted for the rollover option, as a result of the reconstruction of their Trust on 2nd December 2016.

During the prior year, Managed Growth issued 1,024,554 shares, Managed Income issued 3,889,242 shares and Managed Cash issued 1,783,139 shares for an aggregate consideration of £14,044,000 to the shareholders of M&G High Income Investment Trust plc, who opted for the rollover option, as a result of the reconstruction of their Trust on 21st March 2017.

During the prior year, nil Managed Growth shares, nil Managed Income shares and 528,403 Managed Cash shares were repurchased for cancellation for an aggregate consideration of £nil (2017: £528,000). The reason for these purchases was to address imbalances in supply of and demand for the Company's shares within the market and thereby reduce the volatility and absolute level of the discount to net asset value per share at which those shares trade.

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

16. Reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	16	122,868	8	29,237	80,231	115,854	5,910	354,124
Realised foreign currency gains on cash and cash equivalents	–	–	–	–	9	–	–	9
Realised gains on investments	–	–	–	–	142	–	–	142
Unrealised gains on investments	–	–	–	–	–	28,106	–	28,106
Transfer on disposal of investments	–	–	–	–	14,628	(14,628)	–	–
Realised gains on close out of futures	–	–	–	–	134	–	–	134
Unrealised gains on futures from prior period now realised	–	–	–	–	88	(88)	–	–
Unrealised losses on futures	–	–	–	–	–	(34)	–	(34)
Repurchase of ordinary shares into Treasury	–	–	–	(11,050)	–	–	–	(11,050)
Shares redeemed during the year (at Conversion point)	–	–	–	(1,579)	–	–	–	(1,579)
Project costs in relation to shares as a result of Company rollover	–	(41)	–	–	–	–	–	(41)
Issue proceeds arising from ordinary share conversion	–	11,846	–	–	–	–	–	11,846
Repurchase of ordinary shares for cancellation arising from share conversion	–	–	–	(11,846)	–	–	–	(11,846)
Management fee and finance costs charged to capital	–	–	–	–	(1,042)	–	–	(1,042)
Other capital charges	–	–	–	–	(9)	–	–	(9)
Dividends paid in the year	–	–	–	–	–	–	(7,511)	(7,511)
Net revenue return for the year	–	–	–	–	–	–	8,314	8,314
Closing balance	**16**	**134,673**	**8**	**4,762**	**94,181**	**129,210**	**6,713**	**369,563**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distribution of profits to investors via dividend payments.

17. Net asset value per share

The net asset values per share are calculated as follows:

	2018			2017		
	Managed Growth	Managed Income	Managed Cash	Managed Growth	Managed Income	Managed Cash
Net assets (£'000)	280,587	81,138	7,838	264,942	83,784	5,398
Number of shares in issue (excluding shares held in Treasury)	31,911,803	71,143,249	7,670,009	33,725,314	71,482,274	5,280,422
Net asset value per share	**879.3p**	**114.0p**	**102.2p**	**785.6p**	**117.2p**	**102.2p**

18. Reconciliation of net return on ordinary activities before taxation to net cash outflow from operating activities before dividends and interest

	2018 £'000	2017 £'000
Net return on ordinary activities before finance costs and taxation	35,667	55,254
Less capital return before finance costs and taxation	(27,331)	(47,780)
Increase in accrued income	(265)	(396)
(Decrease)/increase in accrued expenses	(57)	62
Management fee charged to capital	(1,017)	(894)
Overseas withholding tax	(10)	–
Dividends received	(9,067)	(8,019)
Interest received	(44)	(34)
Realised gain on foreign exchange transactions	5	28
Net cash outflow from operations before dividends and interest	**(2,119)**	**(1,779)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2017: none).

20. Transactions with the Manager and related parties

Details of the management contracts are set out in the Directors' Report on page 38. The total amount payable to the Manager for the year in respect of these contracts was £1,514,000 (2017: £1,319,000) net of rebates, of which £nil (2017: £nil) was outstanding at the year end. In addition £26,000 (2017: £100,000) was payable to the Manager for the administration of savings scheme products of which £17,000 (2017: £48,000) was outstanding at the year end.

Included in other administration expenses in note 6 on page 74 are safe custody fees amounting to £5,000 (2017: £4,000) payable to JPMorgan Chase of which £1,000 (2017: £1,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. Commission amounting to £18,000 (2017: £9,000) was payable to JPMorgan Securities Limited for the year of which £nil (2017: £nil) was outstanding at the year end.

The Company holds investments in funds managed by JPMAM. At 31st August 2018 these were valued at £207.7 million (2017: £191.5 million) and represented 56.64% (2017: 55.39%) of the Company's investment portfolio. During the year the Company made £20.9 million purchases of such investments (2017: £11.8 million) and sales with a total value of £26.8 million (2017: £10.6 million). Income amounting to £3.8 million (2017: £3.7 million) was receivable from these investments during the year of which £940,000 (2017: £775,000) was outstanding at the year end.

The Managed Growth and Income pools also hold cash in JPM Sterling Liquidity Fund, managed by JPMorgan. At the year end this was valued at £4.1 million (2017: £5.1 million). Interest amounting to £26,000 (2017: £18,000) was receivable during the year of which £nil (2017: £nil) was outstanding at the year end.

Stock lending income amounting to £5,000 (2017: £nil) was receivable by the Company during the year. JPMAM commissions in respect of such transactions amounted to £1,000 (2017: £nil).

Handling charges on dealing transactions amounting to £9,000 (2017: £10,000) were payable to JPMorgan Chase during the year of which £1,000 (2017: £2,000) was outstanding at the year end.

At the year end, total cash of £1,928,000 (2017: £746,000) was held with JPMorgan Chase. A net amount of interest of £nil (2017: £1,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2017: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 42 and in note 6 on page 74.

21. Disclosures regarding financial instruments held at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

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

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

(2) Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly

(3) Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 70.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st August.

	2018		2017	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1[1]	281,955	(202)	268,641	(31)
Level 2[2]	83,214	–	77,149	–
Total	**365,169**	**(202)**	**345,790**	**(31)**

[1] Includes liquidity funds held by the Managed Cash pool and futures currency contracts.

[2] Includes investments in Open Ended Investment Schemes (OEIC's) and Société d'investissement à Capital Variable (SICAV).

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

As an investment trust, the Company invests in equities and other securities for the long term so as to secure its investment objective stated on the 'Features' page of this report. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the revenue available for dividends.

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

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

The Company's financial instruments may comprise the following:

- investments in investment trusts, equities, investment companies, open ended investment companies, bond funds and sterling liquidity funds;
- derivative financial instruments including futures contracts;
- short term debtors, creditors and cash arising directly from its operations; and
- loan facilities, the purpose of which are to finance the Company's operations.

(a) Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the yield on the liquidity funds and the interest payable on variable rate borrowings when interest rates are reset.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board.

The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the floating rate loan facility. However, amounts drawn down on this facility are for short term periods and therefore there is limited exposure to interest rate risk.

Derivatives are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates using the year end figures, giving cash flow interest rate risk when rates are reset, is shown below.

	2018				2017			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Exposure to floating interest rates:								
Cash and cash equivalents	1,244	55	1,458	2,757	4,392	2,163	7	6,562
Investments in liquidity funds	–	4,060	6,547	10,607	–	–	5,008	5,008
Floating rate loan facility	–	(5,000)	–	(5,000)	–	–	–	–
Total exposure	**1,244**	**(885)**	**8,005**	**8,364**	**4,392**	**2,163**	**5,015**	**11,570**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2017: same). The liquidity funds generally aim to produce a yield comparable to the seven day sterling London Interbank Bid Rate.

Details of the bank loan are given in note 14 on page 80.

Interest rate sensitivity

The following tables illustrate the sensitivity of the return after taxation for the year and net assets to a 1% (2017: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments with a direct interest rate exposure held at the balance sheet date with all other variables held constant.

A 1% increase in interest rates would have the following effect:

	2018				2017			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Statement of Comprehensive Income - return after taxation								
Revenue return	12	16	80	108	44	22	50	116
Capital return	–	(25)	–	(25)	–	–	–	–
Net assets	**12**	**(9)**	**80**	**83**	**44**	**22**	**50**	**116**

In the event of a 1% decrease in interest rates, the interest receivable on cash balances and liquidity funds would fall to zero, as the interest earned on these balances is currently less than 1%.

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to an interest rate rise due to fluctuations in the level of cash balances, liquidity funds and amounts drawn down on the Company's loan facilities.

22. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(iii) Other price risk

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

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objectives and seeks to ensure that individual stocks meet an acceptable risk profile.

Other price risk exposure

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

	2018				2017			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Equity investments held at fair value through profit or loss[1]	277,143	78,777	–	355,920	259,853	78,185	–	338,038
Investments in bond funds held at fair value through profit or loss	–	2,534	–	2,534	–	2,625	–	2,625
Derivative instruments - futures contracts	(34)	–	–	(34)	88	–	–	88
	277,109	81,311	–	358,420	259,941	80,810	–	340,751

[1] Includes investments in OEIC funds shown on page 15.

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

Concentration of exposure to other price risk

A list of investments in the Managed Growth and Managed Income portfolios is given on pages 15 and 26. This shows that the Managed Growth portfolio comprises investments with a broad geographical exposure through investment in UK listed investment trusts and open-ended funds, with no concentration of exposure to any one country with the exception of the UK and North America. A substantial proportion of the Managed Income portfolio is invested in UK equities and accordingly there is a concentration of exposure. However it should be noted that an investment may not necessarily be wholly exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of revenue return after taxation for the year and net assets to an increase or decrease of 10% (2017: 10%) in the fair value of equity investments, bond funds and futures contracts held in the Managed Growth and Managed Income portfolios. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's investments and adjusting for a change in the management fee, but with all other variables held constant.

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

	2018				2017			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Statement of Comprehensive Income – return after taxation:								
Revenue return	(27)	(24)	–	(51)	(26)	(23)	–	(49)
Capital return	27,825	8,107	–	35,932	26,380	8,058	–	34,438
Total return after taxation	27,798	8,083	–	35,881	26,354	8,035	–	34,389
Net assets	**27,798**	**8,083**	**–**	**35,881**	**26,354**	**8,035**	**–**	**34,389**

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

	2018				2017			
	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000	Managed Growth £'000	Managed Income £'000	Managed Cash £'000	Total £'000
Statement of Comprehensive Income – return after taxation:								
Revenue return	27	24	–	51	26	23	–	49
Capital return	(27,825)	(8,107)	–	(35,932)	(26,380)	(8,058)	–	(34,438)
Total return after taxation	(27,798)	(8,083)	–	(35,881)	(26,354)	(8,035)	–	(34,389)
Net assets	**(27,798)**	**(8,083)**	**–**	**(35,881)**	**(26,354)**	**(8,035)**	**–**	**(34,389)**

(b) Liquidity risk

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

Management of the risk

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

22. Financial instruments' exposure to risk and risk management policies *continued*

(b) Liquidity risk *continued*

Liquidity risk exposure

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

	2018				2017			
	Three months or less £'000	*More than three* months but less than six months £'000	More than one year £'000	Total £'000	Three months or less £'000	*More than three* months but less than six months £'000	More than one year £'000	Total £'000
Creditors:								
Repurchase of the Company's own shares awaiting settlement	166	–	–	166	1	–	–	1
Other creditors and accruals	125	–	–	125	183	–	–	183
Derivative financial liabilities - futures contracts	202	–	–	202	31	–	–	31
Bank loan, including interest	60	99	5,101	5,260	–	–	–	–
	553	99	5,101	5,753	215	–	–	215

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The Company's investments in liquidity funds and the amounts shown in the Statement of Financial Position under current assets represent the maximum exposure to credit risk at the current and comparative year ends. None of these are past due or impaired.

The credit ratings of the liquidity funds held in the Managed Cash portfolio are disclosed in the list of investments for Managed Cash.

The aggregate value of securities on loan at 31st August 2018 amounted to £3.6 million and the maximum value of stock on loan during the year amounted to £10.8 million. Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

23. Capital management policies and procedures

The Company's capital is divided into three share classes, each with distinct objectives and investment policies. The capital of the three share classes is as disclosed in the Statement of Financial Position and is managed on a basis consistent with the investment objectives and policies disclosed in the Investment Objective, Policies and Guidelines on pages 35 and 36.

The Company's capital structure is as detailed in note 15 on pages 81 and 82. The Managed Income Share class has the ability to use short-term gearing and its policy is to operate within a gearing range of 15% net cash to 12.5% geared.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares, either for cancellation or to be held in Treasury, which takes into account the share price discount or premium; and the need for issues of new shares;
- the level of borrowing for the Managed Income Share class;
- the opportunity for issues of new shares, including from Treasury; and
- the level of dividend distribution in excess of that which is required to be distributed.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURES (UNAUDITED)

Leverage

For the purposes of the Alternative Investment Fund Managers Directive (the 'AIFMD'), leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and is calculated on a gross and a commitment method, in accordance with the AIFMD. Under the gross method, exposure represents the sum of the Company's positions without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated after certain hedging and netting positions are offset against each other.

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 31st August 2018, which gives the following figures:

	Gross Method	Commitment Method
Managed Growth		
Maximum limit	200%	200%
Actual	106%	107%
Managed Income		
Maximum limit	200%	200%
Actual	106%	104%
Managed Cash		
Maximum limit	200%	200%
Actual	100%	100%

JPMorgan Funds Limited (the 'Management Company') is the authorised manager of JPMorgan Elect plc (the 'Company') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers' Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the 'Remuneration Policy Statement') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('AIFMD Identified Staff'). The AIFMD Identified Staff include members of the Board of the Management Company (the 'Board'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. As at 31st December 2017, the Board last reviewed and adopted the Remuneration Policy in June 2017 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate 2018 total remuneration paid to staff of the Management Company and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an AUM weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and 2 UCITS (with 38 sub-funds), with a combined Assets Under Management ('AUM') as at 31st December 2017 of £13,204 million and £15,004 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff ($'000s)	14,845	9,801	24,646	117

The aggregate 2018 total remuneration paid to AIFMD Identified Staff was USD $65,309,308, of which USD $7,505,126 relates to Senior Management and USD $57,804,181 relates to other Identified Staff.

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURE (UNAUDITED)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFTR for the accounting period ended 31st August 2018 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 1.32%. Total lendable assets represents the aggregate value of asset types forming part of the Company's securities lending programme.

Amount of assets engaged in securities lending

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	3,624	1.01

Concentration and Aggregate Transaction Data

Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Counterparty	Country of Incorporation	Value £'000
Credit Suisse	Switzerland	1,494
Morgan Stanley	United States of America	864
Bank of Nova Scotia	Canada	788
UBS	Switzerland	478
		3,624

Maturity tenure of security lending transactions

The Company's securities lending transactions have open maturity.

Collateral issuers

The following table lists the issuers by value of non-cash collateral received by the Company by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Value £'000
United Kingdom Treasury	1,557
French Republic Government	699
Kingdom of Belgium Government	556
United States of America Treasury	295
Federal Republic of Germany Government	109
Republic of Austria Government	29
Republic of Finland Government	26
Kingdom of Netherlands Government	18
Total	**3,289**

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Type, quality and currency of collateral

The following table provides an analysis of the type, quality and currency of collateral received by the Company in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	GBP	1,503
Sovereign Debt	Investment Grade	EUR	1,491
T Bills	Investment Grade	USD	206
T Notes	Investment Grade	USD	89
Total			**3,289**

Maturity tenure of collateral

The following table provides an analysis of the maturity tenure of collateral received in relation to securities lending transactions as at the balance sheet date:

Maturity	Value £'000
Less than 1 week	205
1 week to 1 month	6
1 to 3 months	24
3 to 12 months	265
More than 1 year	2,789
	3,289

Settlement and clearing

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

Re-use of collateral

Share of collateral received that is reused and reinvestment return

Non-cash collateral (£604,000) received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus, however the Company does not currently reinvest cash collateral received in respect of securities lending transactions.

Safekeeping of collateral

All collateral received (£3,893,000) by the Company in respect of securities lending transactions as at the balance sheet date is held by the Depository.

Return and cost

JPMorgan Chase Bank, N.A (JPMCB), the lending agent, receives a fee of 15% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 85%, is received by the Company i.e. for the benefit of Shareholders.

Shareholder Information

CAPITAL STRUCTURE AND CONVERSION BETWEEN SHARE CLASSES

The name JPMorgan Elect plc reflects the capital structure and the investment flexibility the Company offers to shareholders.

Capital Structure

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

Investing in Managed Cash Shares

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

Repurchase of Managed Cash Shares

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

The amount payable per Managed Cash share on repurchase is the net asset value of a Managed Cash share at the date of the relevant conversion calculation, less the applicable stamp duty at a rate of 0.5%.

Conversion Opportunities

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

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

Conversion Between the Share Classes

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

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

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of JPMorgan Elect plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 19th December 2018 at 12.30 p.m. for the following purposes:

1. To receive the Directors' Report, the Annual Accounts and the Auditor's Report for the year ended 31st August 2018.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st August 2018.
4. To reappoint Alan Hodson as a Non-Executive Director of the Company.
5. To appoint Rupert Dickinson as a Non-Executive Director of the Company.
6. To reappoint James Robinson as a Non-Executive Director of the Company.
7. To reappoint Karl Sternberg as a Non-Executive Director of the Company.
8. To reappoint Carla Stent as a Non-Executive Director of the Company.
9. To reappoint Ernst & Young LLP as the Auditor of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot relevant securities – Ordinary Resolution

10. THAT the Board be and is hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors) pursuant to and in accordance with Section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot relevant securities in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, up to 3,191,180 Managed Growth Shares, 7,114,324 Managed Income Shares and 767,000 Managed Cash Shares or, if different, the aggregate amount representing approximately 10% of the issued share capital of each share class of the Company (all excluding Treasury shares) as at the date of this document provided that this authority shall expire at the conclusion of the next Annual General Meeting 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, or rights to be granted, after such expiry and so that the Directors of the Company may allot relevant securities, and grant rights, in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

11. THAT, subject to the passing of resolution 10 set out above, the Directors of the Company be and are hereby empowered pursuant to Sections 570 and 573 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 10 or by way of a sale of Treasury shares as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

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

    (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash or by way of a sale of Treasury shares up to 3,191,180 Managed Growth Shares, 7,114,324 Managed Income Shares and 767,000 Managed Cash Shares or, if different, the aggregate amount representing approximately 10% of the issued share capital of each share class of the Company (all excluding Treasury shares) as at the date of this document at a price not less than the net asset value per share; and shall expire upon the expiry of the general authority conferred by resolution 10 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

Authority to repurchase the Company's shares - Special Resolution

12. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693 of the Companies Act 2006) 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), on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT:

    (i) the maximum number of Managed Growth, Managed Income and Managed Cash shares hereby authorised to be purchased shall be 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 the nominal value of each share class respectively;

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

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

    (v) the authority hereby conferred by this resolution shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or on the date immediately preceeding the date which is 18 months after the passing of this resolution, whichever is the earlier; and

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

Authority to make off-market purchases - Special Resolution

13. THAT the proposed Contingent Purchase contract between Winterflood Securities Limited and JPMorgan Elect plc to enable the Company to make off-market purchases of its own securities pursuant to Section 694 of the Companies Act 2006 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.

Faith Pengelly

By order of the Board
Faith Pengelly, for and on behalf of
JPMorgan Funds Limited,
Secretary

9th November 2018

Notes

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

1. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

   In accordance with the Company's articles, only Management Income shareholders (or their duly appointed proxy or corporate representative) are entitled to vote on Resolution 14 which relates to the proposed amendment to the investment policy of the Management Income portfolio.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting ('AGM'); or (b) any circumstances connected with an Auditor of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

NOTICE OF ANNUAL GENERAL MEETING *CONTINUED*

11. A copy of this Notice of Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice of Meeting will be available on the Company's website www.jpmelect.co.uk.
13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the AGM. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Direction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
16. As at 5th November 2018 (being the latest business day prior to the publication of this Notice of Meeting), the Company's issued share capital excluding Treasury shares consists of 31,793,361 Managed Growth shares, 70,750,872 Managed Income shares and 7,670,009 Managed Cash shares. Voting rights are calculated by reference to the Share Voting numbers which, as at 31st August 2018, were 8.793 (Managed Growth), 1.140 (Managed Income) and 1.022 (Managed Cash). Therefore the total voting rights in the Company as at 6th November 2018 was 368,053,766.

Electronic appointment - CREST members

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

Return to Shareholders (APM)

Total return to the shareholder, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 31st August 2018	Year ended 31st August 2017	
Managed Growth				
Opening share price (p)	10	764.0	648.8	
Closing share price (p)	10	857.5	764.0	(a)
Total dividend adjustment factor[1]		1.016149	1.015516	(b)
Adjusted closing share price (c = a x b)		871.4	775.9	(c)
Total return to shareholders		**14.1%**	**19.6%**	
Managed Income				
Opening share price (p)	19	112.8	101.5	
Closing share price (p)	19	111.5	112.8	(a)
Total dividend adjustment factor[1]		1.040523	1.039269	(b)
Adjusted closing share price (c = a x b)		116.0	117.2	(c)
Total return to shareholders		**2.9%**	**15.5%**	
Managed Cash				
Opening share price (p)	29	101.0	100.3	
Closing share price (p)	29	101.0	101.0	(a)
Total dividend adjustment factor[1]		1.003465	1.003465	(b)
Adjusted closing share price (c = a x b)		101.4	101.4	(c)
Total return to shareholders		**0.3%**	**1.1%**	

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets (APM)

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

Total return calculation	Page	Year ended 31st August 2018	Year ended 31st August 2017	
Managed Growth				
Opening cum-income NAV per share (p)		785.6	664.2	
(-) the 4th interim dividend declared but not paid pre year-end date		(3.00)	(3.15)	
Adjusted opening cum-income NAV per share with debt at par value (p)		782.6	661.1	
Closing cum-income NAV per share (p)	10	879.3	785.6	
(-) the 4th interim dividend declared but not paid pre year-end date		(3.90)	(3.00)	
Adjusted closing cum-income NAV per share (p)		875.4	782.6	(a)
Total dividend adjustment factor[2]		1.015769	1.015096	(b)
Adjusted closing cum-income NAV per share (c = a x b)		889.2	794.4	(c)
Total return on net assets		**13.6%**	**20.2%**	

Total return calculation	Page	Year ended 31st August 2018	Year ended 31st August 2017	
Managed Income				
Opening cum-income NAV per share (p)		117.2	105.7	
(-) the 4th interim dividend declared but not paid pre year-end date		(1.65)	(1.35)	
Adjusted opening cum-income NAV per share (p)		115.6	104.4	
Closing cum-income NAV per share with debt at par value (p)	19	114.0	117.2	
(-) the 4th interim dividend declared but not paid pre year-end date		(1.35)	(1.65)	
Adjusted closing cum-income NAV per share (p)		112.7	115.6	(a)
Total dividend adjustment factor[2]		1.039669	1.038055	(b)
Adjusted closing cum-income NAV per share (c = a x b)		117.1	119.9	(c)
Total return on net assets		**1.3%**	**14.9%**	
Managed Cash				
Opening cum-income NAV per share (p)		102.2	101.7	
(-) the interim dividend declared but not paid pre year-end date		(0.35)	(0.35)	
Adjusted opening cum-income NAV per share (p)		101.9	101.4	
Closing cum-income NAV per share with debt at par value (p)	29	102.2	102.2	
(-) the interim dividend declared but not paid pre year-end date		(0.35)	(0.35)	
Adjusted closing cum-income NAV per share p)		101.9	101.9	(a)
Total dividend adjustment factor[2]		1.003435	1.003431	(b)
Adjusted closing cum-income NAV per share (c = a x b)		102.2	102.2	(c)
Total return on net assets		**0.4%**	**0.8%**	

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

[2] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum-income NAV at the ex-dividend date.

Benchmark return

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

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

Gearing/Net Cash (APM)

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

Gearing calculation	Page	31st August 2018 £'000	31st August 2017 £'000	
Managed Growth				
Investments held at fair value through profit or loss	17	277,143	259,853	(a)
Net assets	17	280,587	264,942	(b)
Gearing/(Net Cash) (c = a / b - 1)		**(1.2)%**	**(1.9)%**	(c)

Gearing calculation	Page	31st August 2018 £'000	31st August 2017 £'000	
Managed Income				
Investments held at fair value through profit or loss	28	81,311	80,810	(a)
Net assets	28	81,138	83,784	(b)
Gearing/(Net Cash) (c = a / b - 1)		**0.2%**	**(3.5)%**	(c)
Managed Cash				
Investments held at fair value through profit or loss	34	6,547	5,008	(a)
Net assets	34	7,838	5,398	(b)
Gearing/(Net Cash) (c = a / b - 1)		**(16.5)%**	**(7.2)%**	(c)

Ongoing Charges (APM)
The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	31st August 2018 £'000	31st August 2017 £'000	
Managed Growth				
Management Fee	17	1,040	937	
Other administrative expenses	17	409	418	
Total management fee and other administrative expenses		1,449	1,355	(a)
Average daily cum-income net assets		268,804	245,831	(b)
Ongoing charges (c = a / b)		**0.54%**	**0.55%**	(c)
Managed Income				
Management Fee	28	474	382	
Other administrative expenses	28	141	135	
Total management fee and other administrative expenses		615	517	(a)
Average daily cum-income net assets		83,457	73,260	(b)
Ongoing charges (c = a / b)		**0.74%**	**0.71%**	(c)
Managed Cash				
Management Fee	34	–	–	
Other administrative expenses	34	1	1	
Total management fee and other administrative expenses		1	1	(a)
Average daily cum-income net assets		5,561	4,605	(b)
Ongoing charges (c = a / b)		**0.02%**	**0.02%**	(c)

Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)
If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share. The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium.

You can invest in a J.P. Morgan investment trust through the following:

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2018/19 tax year, from 6th April 2018 and ending 5th April 2019, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Stockbrokers	James Brearley
Bestinvest	James Hay
Charles Stanley Direct	Selftrade
FundsNetwork	The Share Centre

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These websites are third party sites and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

FINANCIAL CALENDAR

Financial year end	31st August
Final results announced	November
Half year end	28th February
Half year results announced	April
Dividends payable (if any)	March, June, September and December
Annual General Meeting	December

History

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

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.

Company Numbers

Company registration number: 3845060
London Stock Exchange Sedol numbers:
Managed Growth: 0852814, Managed Income: 3408021,
Managed Cash: 3408009

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

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

LEI: 549300FIUYKKL39ILD07

Market Information

Net asset values per share for each share class are published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the JPMorgan internet site at www.jpmelect.co.uk, where the share prices are updated every 15 minutes during trading hours.

Website

www.jpmelect.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

aic
The Association of Investment Companies
A member of the AIC

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Faith Pengelly at the above address.

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 2018
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2530

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

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

Independent Auditors

Ernst & Young LLP
Chartered Accountants and Statutory Auditor
Atria One
144 Morrison Street,
Edinburgh EH3 8EX

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone number: 020 7621 0004

Savings Product Administrators

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

www.jpmelect.co.uk

J.P. MORGAN HELPLINE

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday,
9.00am to 5.30pm.

Telephone calls may be recorded and monitored for security and training purposes.

J.P.Morgan
Asset Management