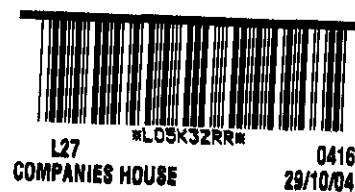


J.P. MORGAN CAPITAL FINANCING LIMITED
(Registered Number: 2290621)

Annual report for the year ended 31 December 2003



J.P. MORGAN CAPITAL FINANCING LIMITED

Annual report for the year ended 31 December 2003

Contents	Page
Directors' report	1-2
Auditors' report	3
Consolidated profit and loss account	4
Consolidated statement of total recognised gains and losses	5
Consolidated balance sheet	6
Company balance sheet	7
Notes to the financial statements	8-19

J.P. MORGAN CAPITAL FINANCING LIMITED

Directors report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2003.

Principal Activities

During the year, the Group, through subsidiary companies held a variety of financial instruments and provided loans and funding commitments to Group entities as well as a variety of commercial enterprises. The financial instruments included equities and equity derivatives.

Review of Business

On 1 December 2003, J.P. Morgan Capital Financing Limited acquired 96% of the issued share capital of Robert Fleming Holdings Limited and 100% of the issued share capital of J.P. Morgan Strategic UK Limited from J.P. Morgan Fleming Asset Management Holdings Inc for a combined total of \$1,723,390,000.

Results and Dividends

The Group profit for the year before taxation was \$12,085,000 (2002: \$23,232,000) and retained profit for the year taken to reserves was \$8,666,000 (2002: profit of \$20,070,000). No dividends were paid or proposed during the year (2002: nil).

Future developments

On 14 January 2004, Bank One Corporation ("Bank One") and J.P. Morgan Chase & Co. entered into an Agreement and Plan of Merger whereby Bank One would merge with and into J.P. Morgan Chase & Co. (the "Holding Company Merger"). The Board of Governors of the Federal Reserve System approved the Holding Company Merger on 14 June 2004 and the merger was consummated on 1 July 2004. With effect from 20 July 2004 the name of J.P. Morgan Chase & Co. changed to JPMorgan Chase & Co.

JPMorgan Chase Bank, New York, New York ("JPMCB") has requested the approval of the Office of Comptroller of the Currency ("OCC") to convert to a national banking association and of JPMCB, Bank One, National Association, Chicago, Illinois ("Bank One Chicago") and Bank One, National Association, Columbus, Ohio ("Bank One Ohio") to merge with and under the national bank charter of JPMCB (the "Bank Merger"). The office of Comptroller of the Currency ("OCC") had given the approval on 13 October 2004. JPMCB, Bank One Chicago and Bank One Ohio are wholly owned subsidiaries of JPMorgan Chase & Co.

Share Capital and Reserves

The authorised and issued share capital of the Company as at 31 December 2003, and matters relating thereto, are set out in Note 16 to the financial statements.

Total share capital and reserves of the Group amounted to \$1,749,592,000 as at 31 December 2003 (2002: \$543,739,000).

Directors

The directors of the Company serving during the year were as follows:

B.D. Fries	(appointed 12 May 2004)
M. S. Garvin	(resigned 11 February 2004)
I. R. Lyall	
G. E. Stoker	

J.P. MORGAN CAPITAL FINANCING LIMITED

Directors report for the year ended 31 December 2003 (continued)

Directors' Interests

None of the directors have any beneficial interest in the Company. The Company is a wholly owned subsidiary of a body corporate incorporated outside England and Wales. The directors are not required to notify the Company of any interests in shares of that or any other body incorporated outside England and Wales.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for the year. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company Secretary

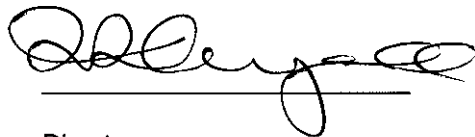
The joint secretaries of the Company serving during the year were as follows:

A. J. Horan (resigned 2 January 2004)
I. R. Lyall
J. P. Morgan Secretaries (UK) Limited

Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue as auditors of the Group.

By order of the Board



Director

Date: 29/10 2004

J.P. MORGAN CAPITAL FINANCING LIMITED

Independent auditors' report to the members of J.P.Morgan Capital Financing Limited

We have audited the financial statements on pages 4 to 19 which comprise the Group profit and loss account, the Group consolidated statement of total recognised gains and losses, the Company balance sheet and the related notes

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

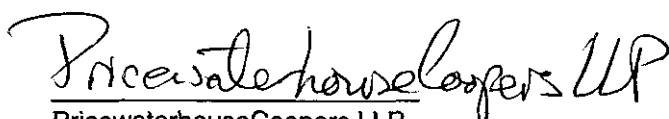
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's and Group's affairs as at 31 December 2003 and the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Date: 29 October 2004

J.P. MORGAN CAPITAL FINANCING LIMITED

Consolidated profit and loss account for the year ended 31 December 2003

	Notes	2003 \$'000	2002 \$'000
Turnover			
Trading profit			
- continued operations	2	343	3,031
Gross profit		343	3,031
Fees and commissions receivable:			
- continued operations	2	345	-
- acquisitions	2	1,299	-
		1,644	-
Fees and commissions payable:			
- continued operations	2	-	-
- acquisitions	2	(882)	-
		(882)	-
General and administrative expenses:	2		
- continued operations		(40)	(134)
- acquisitions		(129)	-
		(169)	-
Depreciation and amortisation:	2		
- continued operations		-	-
- acquisitions		(1)	-
		(1)	-
Other operating (charges)/income:	2		
- continued operations		(7,101)	(304)
- acquisitions		958	-
		(6,143)	(304)
Operating (loss)/profit			
- continued operations		(6,453)	2,593
- acquisitions		1,245	-
		(5,208)	2,593
Profit from disposal of fixed asset investments		-	1,013
Income from fixed investments		8,681	10,119
Profit on ordinary activities before interest and taxation		3,473	13,725
Interest receivable		19,209	14,687
Interest payable		(10,597)	(5,180)
Profit on ordinary activities before tax	4	12,085	23,232
Tax on profit on ordinary activities	5	(3,419)	(3,162)
Profit for the financial year		8,666	20,070
Dividends		-	-
Retained profit for the financial year		8,666	20,070
Profit and loss reserve brought forward		54,719	34,649
Profit and loss reserve carried forward		63,385	54,719

The notes on pages 8 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Consolidated Statement of total recognised gains and losses for the year ended 31 December 2003

	Notes	2003	2002
		\$'000	\$'000
Profit for the year:			
Group		8,666	20,070
Translation gain on foreign currency investments		61,073	-
Translation loss on hedging foreign currency investments		(61,073)	-
Total recognised gains and losses for the year		8,666	20,070

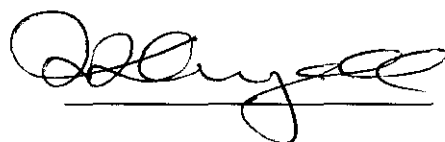
The notes on pages 8 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Consolidated Balance Sheet as at 31 December 2003

	Notes	2003 \$'000	2002 \$'000
Fixed assets			
Intangible assets	6	(27,986)	-
Tangible assets	7	48	-
Investments	8	351,480	351,480
		323,542	351,480
Current assets			
Debtors due within one year	9	2,020,064	30,248
Debtors due after more than one year	9	121,616	2,036,264
Investments	13	2,635	-
Cash at bank held with an affiliated undertaking		201,199	86,990
		2,345,514	2,153,502
Creditors – amounts falling due within one year	14	(918,421)	(797,809)
Net current assets		1,427,093	1,355,693
Total assets less current liabilities		1,750,635	1,707,173
Creditors – amounts falling due after more than one year	14	(1,043)	(1,163,434)
Net assets		1,749,592	543,739
Capital and reserves			
Called up share capital	16	107	107
Capital contribution reserve	17	1,688,913	488,913
Foreign currency translation reserve	17	(2,813)	-
Profit and loss account	17	63,385	54,719
Total shareholders' funds	17	1,749,592	543,739

On behalf of the Board



Director

Date: 29/10/2004

The notes on pages 8 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Company Balance Sheet as at 31 December 2003

	Notes	2003 \$'000	2002 \$'000
Fixed assets			
Investments in Group undertakings	8	2,258,170	473,707
Current assets			
Debtors	12	15,124	126,733
Cash at bank held with an affiliated undertaking		1,852	16,561
		16,976	143,294
Creditors – amounts falling due within one year	15	(592,212)	(127,027)
Net current assets		(575,236)	16,267
Total assets less current liabilities		1,682,934	489,974
Net assets		1,682,934	489,974
Capital and reserves			
Called up share capital	16	107	107
Capital contribution reserve	17	1,688,913	488,913
Profit and loss account	17	(6,086)	954
Total shareholders' funds	17	1,682,934	489,974

On behalf of the Board



Director

Date: 29/10/2004

The notes on pages 8 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003

1. Accounting Policies

(a) Basis of preparation

The consolidated accounts have been prepared under the historical cost convention, as modified by the revaluation of equity securities and derivatives. The consolidated accounts have also been prepared in accordance with applicable accounting standards and in accordance with the requirements of the Companies Act 1985, except for the treatment of taking to the profit and loss account, profits and losses arising on the valuation of financial instruments. An explanation of this departure from the requirements of the Companies Act is given in note 1(k) Financial Instruments .

The balance sheet of the Company complies with Section 226 of, and Schedule 4 to, the Act. The Company has taken the advantage of the exemption in Section 230 not to present its own profit and loss account.

(b) Changes in Accounting Policies

During the year, the Company changed its accounting policy with regard to its shares in subsidiary undertakings. This change followed the Company's acquisition of Robert Fleming Holdings Limited and J.P. Morgan Strategic UK Limited by J.P. Morgan Capital Financing Limited on 1 December 2003 and was introduced to ensure consistency with other group companies.

Prior to the acquisition, the Company revalued its shares in subsidiary undertakings to their underlying net asset value.

Following the change of accounting policy, the Company now holds its shares in subsidiary undertakings at the lower of cost and net asset value.

Comparatives have not been restated to reflect a change in accounting policy as the financial impact on the results was not deemed to be material in nature.

(c) Basis of consolidation

The consolidated accounts include the results of the Company and of its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or sold are included from the date of acquisition or to the date of sale respectively.

(d) Cash Flow Statement

The Company has taken advantage of the provisions of the Financial Reporting Standard 1 – Cash Flow Statements (Revised 1996), which exempts a company from preparation of a cash flow statement where it is at least a 90% owned subsidiary of a Group whose accounts are publicly available.

(e) Foreign currency transactions

Forward foreign exchange contracts are valued at the forward market rates ruling at the balance sheet date. Differences between that value and the contract value are recognised in the profit and loss account.

Foreign currency assets and liabilities are translated at the rates of exchange ruling at each balance sheet date and exchange translation differences arising between successive dates, except those applicable to the net assets of overseas subsidiaries are taken to the profit and loss account.

Year-end exchange rate (USD/GBP): 1.78060 (2002: 1.60400)

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003

1. Accounting Policies (continued)

(f) Goodwill

Goodwill represents the excess of cost over the fair value of the identifiable net assets of businesses acquired. Goodwill is capitalised as an intangible fixed asset.

For the purpose of calculating goodwill, fair values of acquired assets and liabilities are determined by reference to market prices.

Negative goodwill up to the fair values of the non-monetary assets acquired are recognised in the profit and loss account in the periods in which the non-monetary assets are disposed.

(g) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of tangible fixed assets on a straight line basis over their estimated economic lives as follows:

- Leasehold buildings - over the remaining period of the lease
- Office equipment, computers, software and cars - over their expected economic useful lives on a straight line basis at rates varying between 20% and 33% per annum
- Non-structural leasehold improvements - written off over a five year period

(h) Impairment

Goodwill and tangible fixed assets are reviewed for impairment if there are events or changes in circumstances that indicate that the carrying values may not be recoverable. In addition, goodwill is reviewed for impairment at the end of the first full financial year following the acquisition as required by FRS 10 "Goodwill and Intangible Assets".

The impairment review, which is conducted in accordance with the provisions of FRS 11 "Impairment of Fixed Assets and Goodwill", comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of net realisable value and value in use. The carrying value of fixed assets and goodwill are written down by the amount of any impairment. This write down is recognised in the period in which it occurs.

(i) Turnover

The directors consider that turnover is not meaningful in the context of the Group's business and, consequently, it has not been disclosed in the accounts.

(j) Bad and doubtful debts

Provisions are made in the course of the period for bad and doubtful debts. Provisions are either specific, against known bad or doubtful debtors, or are general. Such provisions are recorded within 'General and administrative expenses' in the profit and loss account. Provisions are reviewed and monitored by Credit and Market Risk to ensure that they remain within acceptable corporate comfort levels.

(k) Financial instruments

Financial instruments include forward foreign currency exchange contracts. The Company uses these instruments to hedge foreign exchange translation exposures on investments in wholly-owned subsidiary companies denominated in foreign currencies. To the extent that a hedge relationship between these instruments and the underlying investments exists, fair value gains and losses on the financial instruments are recognised in the statement of total recognised gains and losses. To the extent that forward foreign currency exchange contracts do not form hedge relationships with the underlying foreign currency investments, fair value gains and losses on the financial instruments are recognised in the profit and loss account.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

1. Accounting Policies (continued)

(l) Dividends

Dividends from investments are credited to income when due.

(m) Net interest income

Net interest income comprises interest receivable on loans, advances and deposits placed, less interest payable on deposits taken, and interest on related hedging transactions, accounted for on an accruals basis.

(n) Taxation

Deferred tax is provided in respect of all timing differences between the accounting and tax treatment of income and expenses, the anticipated reversal of which will result in a change in future liability to tax. The provision is calculated using the rates expected to be applicable when the liability crystallises and is measured on a non discounted basis.

(o) Related Party Transaction

In accordance with the exemption afforded by Financial Reporting Standard No. 8 - Related Party Disclosures, certain details of transactions with parent and fellow subsidiary companies are not disclosed as they are included in the consolidated accounts of J.P. Morgan Chase & Co. which are publicly available.

2. Segmental reporting

(a) By class of business

The Group has two continuing classes of business: the provision of financial services and investment banking.

	Financial Services 2003 \$'000	Investment banking 2003 \$'000	Total 2003 \$'000	Financial Services 2002 \$'000	Investment banking 2002 \$'000	Total 2002 \$'000
Trading profit/(loss)	-	343	343	-	3,031	3,031
Fees and commissions receivable	1,644	-	1,644	-	-	-
Fees and commissions payable	(882)	-	(882)	-	-	-
General and administrative expenses	(169)	-	(169)	(134)	-	(134)
Depreciation and amortisation	(1)	-	(1)	-	-	-
Other operating (charges)/income	(6,134)	(9)	(6,143)	614	70	684
Profit from disposal of fixed asset investments	-	-	-	25	-	25
Income from fixed asset investments	8,681	-	8,681	10,119	-	10,119
Interest receivable	18,836	373	19,209	13,074	1,613	14,687
Interest payable	(10,597)	-	(10,597)	(3,849)	(1,331)	(5,180)
Profit on ordinary activities before tax	11,378	707	12,085	19,849	3,383	23,232
Net assets	1,692,920	56,672	1,749,592	487,562	56,177	543,739

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

2. Segmental reporting (continued)

(b) By geographic area

The Group provides financial and investment services to its international client base largely through UK-based operations. The consolidated results of operations on a destination basis relate to customers in the UK and the rest of the world as shown below.

	United Kingdom 2003 \$'000	Rest of the world 2003 \$'000	Total 2003 \$'000	United Kingdom 2002 \$'000	Rest of the world 2002 \$'000	Total 2002 \$'000
Trading profit	-	343	343	-	3,031	3,031
Fees and commissions receivable	559	1,085	1,644	-	-	-
Fees and commissions payable	(503)	(379)	(882)	-	-	-
General and administrative expenses	202	(371)	(169)	(90)	(44)	(134)
Depreciation and amortisation	-	(1)	(1)	-	-	-
Other operating (charges)/income	(6,239)	96	(6,143)	(996)	692	(304)
Profit from disposal of fixed asset investments	-	-	-	1,013	-	1,013
Income from fixed asset investments	8,681	-	8,681	10,119	-	10,119
Interest receivable	4,606	14,603	19,209	5,022	9,665	14,687
Interest payable	(7,946)	(2,651)	(10,597)	(5,180)	-	(5,180)
Profit on ordinary activities before tax	(640)	12,725	12,085	9,888	13,344	23,232
Net assets	697,622	1,051,970	1,749,592	(1,478,293)	2,022,032	543,739

3. Directors emoluments and staff costs

The directors are employees of another subsidiary company of JPMorgan Chase & Co. The directors do not consider that any element of their remuneration relates to the Group.

The Group had no employees, other than the directors, at any time during the year.

4. Profit on ordinary activities before tax

	2003 \$'000	2002 \$'000
Profit on ordinary activities before tax is stated after:		
i) Income:		
Net gain/(loss) on securities and derivatives	343	3,031
ii) Charges:		
Depreciation and amortisation	(1)	-
Net gain/(loss) on foreign exchange translation	588	264
Auditors' remuneration:		
-audit services*	-	(17)

* With the exception of Landmark Insurance Limited and J.P. Morgan Chase International Financing Limited in 2002, all auditors' remuneration was borne by other group companies. There were no fees to the auditors for non-audit services.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

5. Taxation on the profit on ordinary activities

Group	2003 \$'000	2002 \$'000
(a) Analysis of tax charge in the year:		
UK corporation tax at 30% (2002: 30%)	3,541	4,081
Overseas taxation	106	-
	3,647	4,081
Prior year adjustment	(228)	(919)
Taxation on profit on ordinary activities	3,419	3,162
(b) Factors affecting current tax charge for the year:		
Profit on ordinary activities before tax	12,085	23,232
Profits subject to tax in overseas jurisdictions	784	-
	12,869	23,232
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	3,861	6,970
Effects of:		
Expenses not deductible for tax purposes	19	-
Losses surrendered to fellow companies outside the Group	2,322	-
Adjustments to tax charge in respect of previous years	(228)	(895)
Non-taxable income	(2,661)	(3,036)
Overseas taxation	106	-
Other	-	123
Current tax charge for the year	3,419	3,162
Deferred taxation asset		
Deferred tax brought forward as previously disclosed	-	-
Deferred tax asset acquired	126	-
Deferred tax carried forward	126	-
Deferred tax relates to:		
Other timing difference	126	-
Company		
(a) Analysis of tax charge in the year:		
UK corporation tax at 30% (2002: 30%)	-	75
Prior year adjustment	(153)	(7)
Taxation on profit on ordinary activities	(153)	68
(b) Factors affecting current tax charge for the year:		
Profit on ordinary activities before tax	(7,191)	276
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(2,157)	83
Effects of:		
Non deductible expenses	2	-
Adjustments to tax charge in respect of previous years	2,155	(7)
Non-taxable income	(153)	(8)
Current tax charge for the year	(153)	68

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

6. Intangible Fixed assets - Group

Negative goodwill arising on the acquisition of subsidiary undertakings is:

	2003
	\$'000
At 1 January 2003	-
Addition	(27,986)
At 31 December 2003	(27,986)

As part of a group reorganisation, the Company acquired 96% of the issued share capital of Robert Fleming Holdings Limited and 100% of the issued share capital of J.P. Morgan Strategic UK Limited from J.P. Morgan Fleming Asset Management Holdings Inc for a combined total of \$1,723,390,000.

Negative goodwill of \$27,986,000 represents the difference between the consideration paid, \$1,723,390,000 and the fair value transferred \$1,751,376,000.

In accordance with the provisions of FRS10 "Goodwill and Intangible Assets", as set out in the accounting policies, negative goodwill is recognised in the profit and loss account in the periods in which the non-monetary assets are recovered, whether through depreciation or sale. No investment disposals were made in 2003 after the group reorganisation and so no amortisation has been credited to the profit and loss account.

7. Tangible Fixed assets - Group

	Fixtures, fittings and equipment	Total
	\$'000	\$'000
Cost or valuation:		
At 1 January 2003	-	-
Acquisition	246	246
	246	246
Depreciation:		
At 1 January 2003	-	-
Acquisition	197	197
Charge for the year	1	1
At 31 December 2003	198	198
Net book value at 31 December 2003	48	48
Net book value at 1 January 2003	-	-

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

8. Fixed asset investments

	Group 2003 \$'000	Company 2003 \$'000	Group 2002 \$'000	Company 2002 \$'000
Shares in Group undertakings				
At 1 January	-	473,707	-	488,815
Additions	-	1,723,390	-	-
Disposals	-	-	-	(15,108)
Exchange adjustment	-	61,073	-	-
At 31 December	-	2,258,170	-	473,707
External investments				
At 1 January	351,480	-	5,000	-
Additions	5,000	-	346,480	-
Disposals	(5,000)	-	-	-
At 31 December	351,480	-	351,480	-
Net book value at 31 December	351,480	2,258,170	351,480	473,707

The principal subsidiaries of the Company, J.P. Morgan Capital Financing Limited, are as follows:

<u>Subsidiary</u>	<u>Nature of Business</u>
Robert Flemings Holdings Limited	Investment Company
JF Group Limited (incorporated in Bermuda; placed into liquidation on 3 June 2004)	Investment Company
Aldermanbury Investments Limited (formerly Chase Equities Limited)	Investment Company
J.P. Morgan Chase International Financing Limited	Finance Company
Landmark Insurance Limited (incorporated in Bermuda)	Investment Company

Each subsidiary is either owned 100% by the Company or is owned 100% by a subsidiary of the Company. The above companies are registered in England and Wales, apart from where otherwise stated.

For current year acquisitions, refer to note 18.

The \$5,000,000 addition during the year represents the total external investments acquired as part of the Robert Flemings Holdings Limited acquisition. The total consists of \$45,000 Listed investments and \$4,955,000 Unlisted investments.

The Group's external investment disposal was \$5,000,000 and comprised of a series of A notes in Ahold USA Inc. The position matured and was repaid in full in 2003.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

9. Debtors - Group

	Note	Debtors due within one year	Debtors due after more than one year	Total	Debtors due within one year	Debtors due after more than one year	Total
		2003 \$'000	2003 \$'000	2003 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
Amounts owed by affiliated undertakings		1,913,024	-	1,913,024	26,310	-	26,310
Loans and advances to customers	10	86,362	121,616	207,978	-	209,146	209,146
Trade debtors		8,277	-	8,277	34	1,827,118	1,827,152
Other debtors	11	12,401	-	12,401	3,904	-	3,904
		2,020,064	121,616	2,141,680	30,248	2,036,264	2,066,512

10. Loans and advances to customers

	Group 2003 \$'000	Group 2002 \$'000
Remaining maturity:		
Over 5 years	41,376	177,291
5 years or less but over 1 year	80,240	31,855
1 year or less but over 3 months	-	-
3 months or less	86,362	-
At 31 December	207,978	209,146

The Company itself had no such balances at the 2003 and 2002 year ends.

11. Other debtors - Group

	Group 2003 \$'000	Group 2002 \$'000
Accrued interest receivable from loans	15	1,308
Other taxation and social security	2,313	1,821
Other assets	10,073	775
At 31 December	12,401	3,904

12. Debtors - Company

	Company 2003 \$'000	Company 2002 \$'000
Amounts owed by affiliated undertakings	15,124	126,733

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

13. Investments held as current assets

	2003 \$'000	2002 \$'000
Prytania	2,635	-

The investment represented the following:

	Type of shares	No. of Shares	2003 \$'000
Prytania Holdings LLP	Series A Preference Shares	16,667	1,695
	Series B Preference Shares	8,333	847
	Ordinary share	5,000	93
			2,635

14. Creditors – Group

	Creditors due within one year 2003 \$'000	Creditors due after more than one year 2003 \$'000	Total 2003 \$'000	Creditors due within one year 2002 \$'000	Creditors due after more than one year 2002 \$'000	Total 2002 \$'000
Bank overdraft with an affiliated undertaking	2,785	-	2,785	-	-	-
Amounts owed to affiliated undertakings	718,844	-	718,844	786,373	1,142,816	1,929,189
Deferred income	132	473	605	-	16,310	16,310
Trade creditors	171,148	-	171,148	-	4,308	4,308
Corporation tax	21,727	-	21,727	10,973	-	10,973
Other creditors	3,785	570	4,355	463	-	463
	918,421	1,043	919,464	797,809	1,163,434	1,961,243

15. Creditors of the Company – amounts falling due within one year

	Company 2003 \$'000	Company 2002 \$'000
Amounts owed by affiliated undertakings	591,815	126,544
Corporation tax	397	483
	592,212	127,027

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

16. Called up share capital

	Company 2003 \$'000	Company 2002 \$'000
Authorised		
60,000 ordinary shares of £1 each	107	107
Issued, allotted, called up and fully paid		
60,000 ordinary shares of £1 each	107	107

17. Reconciliation of movements in reserves and shareholders' funds

Group

	Share capital	Capital contribution reserve	Foreign currency translation reserve	Profit and loss account	Total shareholders' funds
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
At 1 January	107	488,913	-	54,719	543,739
Profit for the year	-	-	-	8,666	8,666
Movement in foreign currency translation reserve	-	-	(2,813)	-	(2,813)
Capital contribution	-	1,200,000	-	-	1,200,000
At 31 December	107	1,688,913	(2,813)	63,385	1,749,592

	Share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
At 1 January	107	488,913	34,649	523,669
Profit for the year	-	-	20,070	20,070
Capital contribution	-	-	-	-
At 31 December	107	488,913	54,719	543,739

Company

	Share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
At 1 January	107	488,913	954	489,974
Loss for the year	-	-	(7,040)	(7,040)
Capital contribution	-	1,200,000	-	1,200,000
At 31 December	107	1,688,913	(6,086)	1,682,934

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

17. Reconciliation of movements in reserves and shareholders' funds (continued)

Company	Share capital	Capital contribution reserve	Profit and loss account	Total shareholders' funds
	2002 \$'000	2002 \$'000	2002 \$'000	2002 \$'000
At 1 January	107	488,913	746	489,766
Profit for the year	-	-	208	208
At 31 December	107	488,913	954	489,974

18. Acquisitions

On 1 December 2003, the following undertakings were acquired and included in the consolidated balance sheet at 31 December 2003. (J.P. Morgan Capital Financing Limited owns 100% of the share capital unless otherwise noted).

Robert Fleming Holdings Limited (96%)
Robert Fleming (Luxembourg) (Joint Ventures) Sarl
Robert Fleming Investment Management (Jersey) Limited
Robert Fleming Investment Trust Limited
Fleming Investment Holdings (Jersey) Limited
Stone Investments (Number 5) Limited
Chase Fleming Private Wealth Management Limited
Fleming Private Nominees Limited
Monlostan Nominees Limited
Copthall Overseas Limited
Copthall Holdings (Canada) Inc.
J.P. Morgan Fleming Asset Management (Canada) Inc.
Copthall Insurance Limited
Copthall Overseas (Number 2) Limited
Equimark (Jersey) Limited
Robert Fleming (Jersey) Limited
Flemings (CIS) Limited
J.P. Morgan Management (Jersey) Limited
J.P. Morgan Fleming Asset Management (Schweiz) AG
Robert Fleming (Overseas) Number 3 Limited
Robert Fleming Argentina SA
J.P. Morgan Strategic UK Limited

For the period since acquisition, from 1 December 2003, a trading gain of \$3.14 million and an operating profit of \$1.24 million is included within the consolidated profit and loss account attributable to acquired undertakings.

For the period prior to acquisition, the 11 month period from 1 January 2003 to 30 November 2003, a trading gain of \$1,035 million (2002: 97 million) and an operating profit of \$1,074 million (2002: 90 million) is not included within the consolidated profit and loss account.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2003 (Continued)

18. Acquisitions (continued)

At the date of acquisition, fair value of the assets and liabilities acquired was in excess of the consideration paid by J.P. Morgan Capital Financing Limited. A breakdown of the fair value of the investment on acquisition is shown in the table below:

	\$'000
Fixed Assets	
Investments	5,000
Current assets	
Amounts owed by affiliated undertakings	1,465,771
Other debtors	437,619
Cash at bank held with affiliated undertakings	34,793
	1,938,183
Creditors – amounts falling due within one year	
Amounts owed to affiliated undertakings	(184,221)
Trade Creditors	(5,867)
Other liabilities	(1,719)
	(191,807)
Net assets acquired	1,751,376

19. Post balance sheet events

The following companies were liquidated in 2004:

Copthall Overseas (Number 2) Limited	(Placed into liquidation on 3 June 2004)
J.P. Morgan Fleming Asset Management (Schweiz) AG	(Dissolved on 2 February 2004)
Jadeling Limited	(Dissolved on 13 August 2004)
JF Group Limited	(Placed into liquidation on 3 June 2004)
Robert Fleming (Overseas) Number 3 Limited	(Placed into liquidation on 3 June 2004)
J.P. Morgan Strategic UK Limited	(Placed into liquidation on 20 October 2004)

On 3 August 2004, the Company received from its immediate subsidiaries, J.P. Morgan Strategic UK Limited and Robert Fleming Holdings Limited, interim dividends totalling £1,918,630 which was satisfied by the transfer of 2,500,000 shares in Copthall Holdings (Canada) Inc. The Company subsequently declared an interim dividend of the same amount, £1,918,630, which was satisfied by the transfer of the shares in Copthall Holdings (Canada) Inc. to JPMorgan Chase & Co.

On 4 October 2004, the Company purchased the beneficial ownership of 7,050,000 ordinary shares in Robert Fleming Holdings Limited for an estimated market consideration of £13,600,000. The consideration was based on the net asset value of Robert Fleming Holdings Limited as at 30 September 2004.

On 15 October 2004, the Company received an interim dividend of £1,950,000 from its immediate subsidiary J.P. Morgan Strategic UK Limited.

20. Parent undertakings

At 31 December 2003 the immediate and ultimate parent undertaking was JPMorgan Chase & Co. which is incorporated in the United States of America. JPMorgan Chase & Co. is also the smallest and largest Group into which the Company is consolidated.

Details of the parent's consolidated accounts can be obtained from:

The Office of the Secretary
125 London Wall
London, EC2Y 5AJ