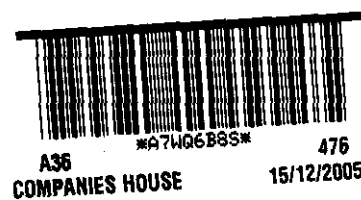


J.P. MORGAN CAPITAL FINANCING LIMITED
(Registered Number: 2290621)

Annual report for the year ended 31 December 2004



J.P. MORGAN CAPITAL FINANCING LIMITED

Annual report for the year ended 31 December 2004

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J.P. MORGAN CAPITAL FINANCING LIMITED

Directors report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31 December 2004.

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.

Results and Dividends

The Group profit for the year before taxation was \$25,078,000 (2003: \$12,085,000) and the retained loss for the year taken to reserves was \$592,173,000 (2003: profit of \$8,666,000).

On 1 June 2004, the Company received an interim dividend of \$457,369,527 from its immediate subsidiary JF Group Limited, which was satisfied by the transfer of 34,468 Preference shares in J.P. Morgan Securities Ltd., 1 ordinary share held in J.P. Morgan Chase International Financing Limited and a cash payment in the amount of \$101,127,000.

On 1 June 2004, the Company received an interim dividend of \$5,497,602 (£3,030,000) from its immediate subsidiary JF Group Limited, which was satisfied by the transfer of shares in Prytania Holdings LLP.

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 \$3,489,622 (£1,918,630) which were 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, \$3,489,622 (£1,918,630), which was satisfied by the transfer of the shares in Copthall Holdings (Canada) Inc. to JPMorgan Chase & Co.

On the 7 September 2004, the Company received an interim dividend of £632,877,767 from its immediate subsidiary Robert Fleming Holdings Ltd.

On the 7 September 2004, the Company received an interim dividend of £19,000,000 from its immediate subsidiary J.P. Morgan Strategic UK Limited.

On the 7 September 2004, the Company paid to its immediate parent JP Morgan Chase & Co. an interim dividend of \$598,548,982.

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

Future developments

The Company received interim cash dividends from its preferred ordinary shares in J.P. Morgan Securities Ltd. of \$13,481,870 on 2 December 2005.

Share capital and reserves

The authorised and issued share capital of the Company as at 31 December 2004, and matters relating thereto, are set out in Note 17 to the financial statements.

Total share capital and reserves of the Group amounted to \$1,161,641,000 as at 31 December 2004 (2003: \$1,749,592,000).

J.P. MORGAN CAPITAL FINANCING LIMITED

Directors report for the year ended 31 December 2004 (continued)

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 (resigned 2 March 2005)
M.J. Davies (appointed 2 March 2005)

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.

Statement of 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 have responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

Company secretary

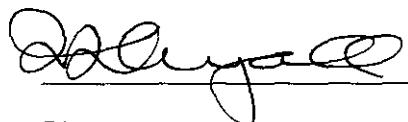
The joint secretaries of the Company serving during the year were as follows:

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

5/12/2005

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 which comprise the consolidated profit and loss account and statement of recognized gains and losses, the consolidated and company balance sheets, and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting principles.

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.

Basis of 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 2004 and the Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

5 December 2005

J.P. MORGAN CAPITAL FINANCING LIMITED

Consolidated profit and loss account for the year ended 31 December 2004

	Notes	2004 \$'000	2003 \$'000
Trading profit		1,697	343
Gross profit		1,697	343
Fees and commissions receivable:		10,497	1,644
Fees and commissions payable:		(6,715)	(882)
		3,782	762
General and administrative expenses:		(761)	(170)
Other operating charges:		(18,158)	(6,143)
Operating loss	4	(13,440)	(5,208)
Income from fixed investments		431	8,681
(Loss) / profit on ordinary activities before interest and taxation		(13,009)	3,473
Interest receivable		48,777	19,209
Interest payable		(10,690)	(10,597)
Profit on ordinary activities before tax		25,078	12,085
Tax on profit on ordinary activities	5	(15,212)	(3,419)
Profit on ordinary activities after taxation		9,866	8,666
Dividends	16	(602,039)	-
(Loss) / profit for the financial year		(592,173)	8,666

Consolidated statement of total recognised gains and losses for the year ended 31 December 2004

	2004 \$'000	2003 \$'000
(Loss) / profit retained for the financial year	(592,173)	8,666
Translation gain on foreign currency investments	69,266	61,073
Translation loss on hedging foreign currency investments	(69,266)	(61,073)
Total recognised (loss) / gain for the year	(592,173)	8,666

The loss for the year resulted from continuing operations.

The reconciliation of movements in shareholders' funds during the year is detailed in note 19.

There are no material differences between the profit on ordinary activities before taxation and the retained loss for the year as stated above and their historical cost equivalents.

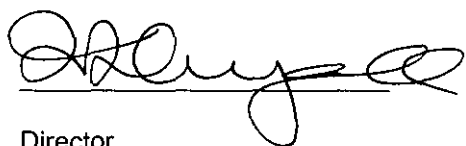
The notes on pages 7 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Consolidated balance sheet as at 31 December 2004

	Notes	2004 \$'000	2003 \$'000
Fixed assets			
Intangible assets	6	(30,816)	(27,986)
Tangible assets	7	-	48
Investments	8	357,120	351,480
		326,304	323,542
Current assets			
Debtors:			
Falling due within one year	9	728,697	2,020,064
Falling due after more than one year	9	275,038	121,616
Investments	13	-	2,635
Cash at bank and in hand	14	176,791	201,199
		1,180,526	2,345,514
Creditors: amounts falling due within one year	15	(344,018)	(918,421)
Net current assets		836,508	1,427,093
Total assets less current liabilities		1,162,812	1,750,635
Creditors: amounts falling due after more than one year	15	(1,171)	(1,043)
Net assets		1,161,641	1,749,592
Capital and reserves			
Called up share capital	17	107	107
Other reserves	18	1,690,322	1,686,100
Profit and loss account	18	(528,788)	63,385
Total shareholders' funds	19	1,161,641	1,749,592

On behalf of the Board:



Director

5/12 2005

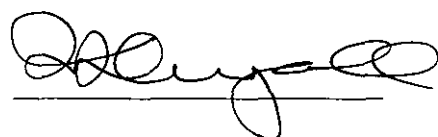
The notes on pages 7 to 19 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED

Company balance sheet as at 31 December 2004

	Notes	2004 \$'000	2003 \$'000
Fixed assets			
Investments	8	1,123,989	2,258,170
Current assets			
Debtors	10	23,672	15,124
Cash at bank and in hand	14	7,757	1,852
		31,429	16,976
Creditors: amounts falling due within one year	15	(6,237)	(592,212)
Net current assets		25,192	(575,236)
Total assets less current liabilities		1,140,868	1,682,934
Net assets		1,149,181	1,682,934
Capital and reserves			
Called up share capital	17	107	107
Other reserve	18	1,688,913	1,688,913
Profit and loss account	18	(539,839)	(6,086)
Total shareholders' funds	19	1,149,181	1,682,934

On behalf of the Board:



Director

5/12/2005

The notes on pages 7 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 2004

1. Accounting policies

(a) Accounting convention

The consolidated accounts have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of equity securities. 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 gains and losses arising on the valuation of certain instruments. An explanation of these departures from the requirements of the Companies Act 1985 is given in note 1(l) Equity securities and 1(m) Financial instruments below.

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985, and not presented a profit and loss account for the Company alone. The Company made a loss of \$534 million after taxation (2003: loss of \$7million).

The principal accounting policies which have been consistently applied throughout the year are set out below.

(b) Consolidation

The consolidated accounts include the results of the Company and of its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or sold are included from the date of acquisition or to the date of sale respectively.

(c) Cash flow statement

The Company has taken advantage of the provisions of Financial Reporting Standard 1- Cash Flow Statements (revised 1996), which exempt the Company from preparation of a cash flow statement because it is at least a 90% owned subsidiary of the group, JPMorgan Chase & Co. whose accounts are publicly available.

(d) Related party transactions

In accordance with the exemption afforded by Financial Reporting Standard 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.

(e) Foreign currency

Monetary assets and liabilities in foreign currencies are translated into US dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into US dollars at the average monthly rates of exchange during the year. Any gains or losses arising from translation are taken directly to the profit and loss account.

The financial statements have been presented in US dollars as the directors are of the opinion that this is the functional currency of the company. The exchange rates used are;

Year end exchange rate (USD/GBP):	1.92341	(2003: 1.78060)
Average rate for the year (USD/GBP):	1.83570	(2003: 1.64449)

(f) Income and expense recognition

- (i) Interest receivable and payable are recognised on an accruals basis.
- (ii) Dividend income is recognised when the right to receive payment is established.
- (iii) Dividend distributions are recognised in the period which the dividends are approved.
- (iv) Fees and commissions are recognised when the underlying contract becomes legally binding or at the agreed due date if later, unless a fee is received relating to work to be completed in the future in which case it is amortised over that period.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

1. Accounting policies (continued)

(f) Income and expense recognition

- (v) Profits and losses resulting from the purchase and sale of securities and the revaluation of financial instruments are recognised as trading gains or losses on a trade date basis.

(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) Intangible fixed assets

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 and amortised on a straight-line basis over the period that the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

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.

(i) Impairment

Tangible fixed assets and goodwill 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 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.

(j) Investments

Investments are held at cost less provision for any impairment.

Shares and securities intended for use on a continuing basis in the Company's activities are classified as investment securities. Such shares and securities are stated at cost less any provision for impairment. Hedged foreign shares and securities in foreign currencies are translated into US dollars at rates of exchange ruling on the balance sheet date, and foreign exchange gains and losses are recognised in the statement of total recognised gains and losses.

(k) Bad and doubtful debts

Provisions are made in the course of the year for bad and doubtful debts and potential credit losses arising from trading products. Provisions are either specific, against known bad or doubtful debtors, or are general according to prescribed formulae.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

1. Accounting policies (continued)

(l) Equity securities

Equities held as current assets for trading purposes are stated at fair value and profits and losses arising from this valuation are taken to the profit and loss account. This represents a departure, as far as gains are concerned, from the Companies Act 1985, which requires that unrealised gains be credited to a revaluation reserve. The directors consider that this departure is necessary in order that the financial statements should give a true and fair view of the results of the Company's trading activities, in accordance with section 226(5) of the Companies Act 1985.

It is not practicable to quantify the effect on the accounts of this departure since information on original cost, being of no continuing relevance to the business, is not available.

Listed securities are valued based on market prices and unlisted securities are valued based on the directors' estimate, which take into consideration, discounted cash flows, price earnings ratios and other valuation techniques.

(m) 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.

(n) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

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 2004	Investment banking 2004	Total 2004	Financial Services 2003	Investment banking 2003	Total 2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trading profit	-	1,697	1,697	-	343	343
Fees and commissions receivable	10,361	136	10,497	1,644	-	1,644
Fees and commissions payable	(6,715)	-	(6,715)	(882)	-	(882)
General and administrative expenses	(761)	-	(761)	(169)	-	(169)
Depreciation and amortisation	-	-	-	(1)	-	(1)
Other operating (charges)/income	(18,185)	27	(18,158)	(6,134)	(9)	(6,143)
Profit from disposal of fixed asset investments	-	-	-	-	-	-
Income from fixed asset investments	431	-	431	8,681	-	8,681
Interest receivable	41,231	7,546	48,777	18,836	373	19,209
Interest payable	(7,412)	(3,278)	(10,690)	(10,597)	-	(10,597)
Profit on ordinary activities before tax	18,950	6,128	25,078	11,378	707	12,085
Net assets	1,103,206	58,434	1,161,640	1,692,920	56,672	1,749,592

(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 2004	Rest of the world 2004	Total 2004	United Kingdom 2003	Rest of the world 2003	Total 2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trading profit	1,697	-	1,697	-	343	343
Fees and commissions receivable	136	10,361	10,497	559	1,085	1,644
Fees and commissions payable	-	(6,715)	(6,715)	(503)	(379)	(882)
General and administrative expenses	(86)	(675)	(761)	202	(371)	(169)
Depreciation and amortisation	-	-	-	-	(1)	(1)
Other operating (charges)/income	(9,698)	(8,460)	(18,158)	(6,239)	96	(6,143)
Profit from disposal of fixed asset investments	-	-	-	-	-	-
Income from fixed asset investments	431	-	431	8,681	-	8,681
Interest receivable	48,098	679	48,777	4,606	14,603	19,209
Interest payable	(10,690)	-	(10,690)	(7,946)	(2,651)	(10,597)
Profit on ordinary activities before tax	29,887	(4,809)	25,078	(640)	12,725	12,085
Net assets	1,132,845	28,796	1,161,641	697,622	1,051,970	1,749,592

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

3. Directors emoluments and staff costs

The directors are employees of other companies in the JPMorgan Chase & Co. group and all expenses, including remuneration, are paid by those companies and not recharged.

The directors do not consider that a significant element of their remuneration relates to the Company for the current financial year.

4. Operating loss

	2004	2003
	\$'000	\$'000
Operating loss is stated after charging:		
i) Income:		
Net gain on securities and derivatives	1,697	343
ii) Charges:		
Depreciation and amortisation	-	(1)
Net gain on foreign exchange translation	10,439	588

5. Taxation on the profit on ordinary activities

Group	2004	2003
	\$'000	\$'000
(a) Analysis of tax charge in the year:		
UK corporation tax at on current years profits	23,434	3,541
Overseas taxation	717	106
Prior year adjustment	(7,616)	(228)
	16,535	3,419
Less: double tax relief	(1,449)	-
Total current tax charge	15,086	3,419
Deferred tax charge	126	-
Total tax expense	15,212	3,419

The tax assessment for the year is greater than (2003: greater than) the standard rate of corporation tax in the United Kingdom (30%). Any differences are explained below:

Profit on ordinary activities before tax	25,078	12,085
Less: Profits subject to tax in overseas jurisdictions	7,633	784
	32,711	12,869
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	9,813	3,861
Effects of:		
Expenses not deductible for tax purposes	13,047	19
Losses utilised from prior years	(130)	-
Losses surrendered to fellow companies outside the group	15,740	2,322
Double tax relief	(1,449)	-
Non taxable income	(24,717)	(2,661)
Overseas taxation	717	106
Non deductible loss on disposal of fixed asset investments	9,681	-
Adjustments in respect of previous years	(7,616)	(228)
Current corporate tax charge	15,086	3,419

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

5. Taxation on the profit on ordinary activities (continued)

Deferred taxation asset	2004 \$'000	2003 \$'000
Deferred tax brought forward as previously disclosed	126	-
Deferred tax charge	(126)	-
Deferred tax asset acquired	-	126
Deferred tax carried forward	-	126
Deferred tax relates to:		
Other timing difference	-	126
Deferred taxation carried forward	-	126

Company	2004 \$'000	2003 \$'000
(a) Analysis of tax charge in the year:		
UK corporation tax at 30% (2003: 30%)	-	-
Adjustments to tax charge in respect of prior years	-	(153)
Total tax credit	-	(153)
(b) Factors affecting current tax charge for the year:		
The tax assessment for the year is lower than (2003: lower than) the standard rate of corporation tax in the United Kingdom (30%). Any differences are explained below:		
Profit / (loss) on ordinary activities before tax	68,285	(7,191)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	20,486	(2,157)
Effects of:		
Non deductible expenses	344,796	2
Non deductible loss on disposal of fixed assets investments	116,274	-
Non taxable income	(497,296)	(153)
Losses surrendered to group companies for nil consideration	15,740	-
Adjustments to tax charge in respect of prior years	-	2,155
Current tax charge for the year	-	(153)

6. Intangible fixed assets - Group

	2004 \$'000	2003 \$'000
At 1 January	(27,986)	-
Addition	-	(27,986)
Disposal	(1,794)	-
Exchange adjustment	(1,036)	-
At 31 December	(30,816)	(27,986)

In 2003, 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.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

6. Intangible fixed assets – Group (continued)

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.

7. Tangible fixed assets - Group

	Fixtures, fittings and equipment	Total
	\$'000	\$'000
Cost or valuation:		
At 1 January 2004	246	246
Disposal	(246)	(246)
At 31 December 2004	-	-
Depreciation:		
At 1 January 2004	198	198
Disposal	(198)	(198)
Charge for the year	-	-
At 31 December 2004	-	-
Net book value at 1 January 2004	48	48
Net book value at 31 December 2004	-	-

8. Fixed asset investments

	Group 2004	Company 2004	Group 2003	Company 2003
	\$'000	\$'000	\$'000	\$'000
Shares in Group undertakings				
At 1 January	-	2,258,170	-	473,707
Additions	-	388,557	-	1,723,390
Disposals	-	(448,511)	-	-
Impairment	-	(1,149,321)	-	-
Exchange adjustment	-	69,266	-	61,073
At 31 December	-	1,118,161	-	2,258,170
External investments				
At 1 January	351,480	-	351,480	-
Additions*	5,828	5,828	5,000	-
Disposals	(889)	-	(5,000)	-
Exchange adjustment	701	-	-	-
At 31 December	357,120	5,828	351,480	-
Total fixed asset investments	357,120	1,123,989	351,480	2,258,170

* During 2004, the investment in Prytania Holdings LLP was transferred to J.P. Morgan Capital Financing Limited from JF Group Limited by way of a dividend in specie and reclassified from current asset investments to fixed asset investments.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

8. Fixed asset investments (continued)

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
Aldermanbury Investments 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 acquisitions and disposals, refer to note 20.

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
		2004	2004	2004	2003	2003	2003
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts owed by affiliated undertakings		705,298	-	705,298	1,913,024	-	1,913,024
Loans and advances to customers	11	-	275,038	275,038	86,362	121,616	207,978
Trade debtors		607	-	607	8,277	-	8,277
Other debtors	12	22,792	-	22,792	12,401	-	12,401
		728,697	275,038	1,003,735	2,020,064	121,616	2,141,680

10. Debtors - Company

	Company 2004	Company 2003
	\$'000	\$'000
Amounts owed by group undertakings	23,672	15,124

11. Loans and advances to customers

	Group 2004	Group 2003
	\$'000	\$'000
Remaining maturity:		
Over 5 years	114,307	41,376
5 years or less but over 1 year	160,731	80,240
1 year or less but over 3 months	-	-
3 months or less	-	86,362
At 31 December	275,038	207,978

The Company itself had no such balances at the 2004 and 2003 year ends.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

12. Other debtors - Group

	Group 2004	Group 2003
	\$'000	\$'000
Accrued interest receivable from loans	-	15
Other taxation and social security	2,380	2,313
Other assets	20,412	10,073
At 31 December	22,792	12,401

13. Investments held as current assets

The investment represented the following:

	Type of shares	No. of Shares	2004	2003
			\$'000	\$'000
Prytania Holdings LLP *	Series A Preference Shares	16,667	-	1,695
Prytania Holdings LLP *	Series B Preference Shares	8,333	-	847
Prytania Holdings LLP *	Ordinary shares	5,000	-	93
			-	2,635

* During 2004, the above investment in Prytania Holdings LLP was transferred to J.P. Morgan Capital Financing Limited from JF Group Limited by way of a dividend in specie and reclassified from current asset investments to fixed asset investments.

14. Cash at bank and in hand

All bank balances are held with group undertakings.

15. Creditors – Group

	Creditors due within one year	Creditors due after more than one year	Total	Creditors due within one year	Creditors due after more than one year	Total
	2004	2004	2004	2003	2003	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdraft with an affiliated undertaking	-	-	-	2,785	-	2,785
Amounts owed to affiliated undertakings	313,424	-	313,424	718,844	-	718,844
Deferred income	344	411	755	132	473	605
Trade creditors	787	-	787	171,148	-	171,148
Corporation tax	29,442	-	29,442	21,727	-	21,727
Other creditors	21	760	781	3,785	570	4,355
	344,018	1,171	345,189	918,421	1,043	919,464

Company

Creditors: amounts falling due within one year

	2004	2003
	\$'000	\$'000
Amounts owed to affiliated undertakings	6,237	591,815
Corporation tax	-	397
	6,237	592,212

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

16. Dividends

	2004	2003
	\$'000	\$'000
Equity - Ordinary		
Interim paid: \$10,033.98 (2003: nil) per £1 share	602,039	-

On 3 August 2004, the Company declared an interim dividend of \$3,489,622 (£1,918,630), which was satisfied by the transfer of the shares in Copthall Holdings (Canada) Inc. to JPMorgan Chase & Co.

On the 7 September 2004, the Company paid to its immediate parent JP Morgan Chase & Co an interim dividend of \$598,548,982.

17. Called up share capital

	Company 2004	Company 2003
	\$'000	\$'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

18. Reconciliation of movements in reserves

Group

	Capital contribution reserve	Foreign currency translation reserve	Profit and loss account
	2004	2004	2004
	\$'000	\$'000	\$'000
At 1 January	1,688,913	(2,813)	63,385
Loss for the year	-	-	(592,173)
Movement in foreign currency translation reserve	-	4,222	-
At 31 December	1,688,913	1,409	(528,788)

Company

	Capital contribution reserve	Profit and loss account
	2004	2004
	\$'000	\$'000
At 1 January	1,688,913	(6,086)
Loss for the year	-	(533,753)
At 31 December	1,688,913	(539,839)

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

19. Reconciliation of movements in shareholders' funds

Group

	2004	2003
	\$'000	\$'000
Opening equity shareholders' funds	1,749,592	543,739
(Loss) / profit for the year	(592,173)	8,666
Movement in foreign currency translation reserve	4,222	(2,813)
Capital contribution	-	1,200,000
At 31 December	1,161,641	1,749,592

Company

	2004	2003
	\$'000	\$'000
Opening equity shareholders' funds	1,682,934	489,974
Loss for the year	(533,753)	(7,040)
Capital contribution	-	1,200,000
At 31 December	1,149,181	1,682,934

20. Acquisitions and disposals

There were no acquisitions in 2004.

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

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

20. Acquisitions and disposals (continued)

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 and an operating profit of \$1,074 million is not included within the consolidated profit and loss account.

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

The following subsidiaries were disposed during the year, with a total loss on disposal recorded in the consolidated profit and loss account of \$30 million.

Stone Investments (Number 5) Limited
Chase Fleming Private Wealth Management Limited
J.P. Morgan Fleming Asset Management (Canada) Inc.
Cophall Overseas (Number 2) Limited
J.P. Morgan Fleming Asset Management (Schweiz) AG
Robert Fleming (Overseas) Number 3 Limited
J.P. Morgan Strategic UK Limited
JF Group Limited
Cophall Holdings (Canada) Inc.

There were no subsidiaries disposed of during 2003

21. Parent undertakings

The Company's parent undertaking and the parent undertaking of the only group in which the results of the Company are consolidated, is JPMorgan Chase & Co., which is incorporated in the state of Delaware in the United States of America.

The consolidated financial statements of this group are available to the public and can be obtained from the Company's registered office:

125 London Wall
London
EC2Y 5AJ
England

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements for the year ended 31 December 2004 (continued)

22. Post balance sheet events

The Company received interim cash dividends from its preferred ordinary shares in J.P. Morgan Securities Ltd. of \$13,481,870 on 2 December 2005.