

**JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED**  
(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

(Registered in England & Wales : 654573)

Annual report for the year ended 31 December 2005



# **JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED**

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## **Annual report for the year ended 31 December 2005**

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# **JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED**

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## **Directors and Officers**

### **Directors**

H M Baldwin  
J B Broderick  
C D Fleming  
P Forero  
R W Oswald  
M R Porter  
R M J Thompson

### **Company Secretary**

Y Y Maxwell  
J.P. Morgan Secretaries (UK) Limited

### **Registered Office**

125 London Wall  
London EC2Y 5AJ

### **Auditors**

PricewaterhouseCoopers LLP  
London

# **JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED**

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## **Directors' report for the year ended 31 December 2005**

The directors submit their report and audited financial statements for the year ended 31 December 2005.

### **Principal activities**

The primary activity of JPMorgan Asset Management (London) Limited (the "Company") is investment management of assets for institutional clients, through a combination of segregated investments and pooled fund vehicles. Client assets are managed through equity, fixed income and balanced products. The Company acts as an agent for client investments and does not hold any proprietary positions.

### **Business review**

On 3 May 2005 the Company changed its name from J.P. Morgan Fleming Asset Management (London) Limited to JPMorgan Asset Management (London) Limited.

On 30 November 2005, a group reorganisation occurred whereby the UK institutional businesses of the JPMorgan Asset Management International group were largely consolidated into one entity, JPMorgan Asset Management (UK) Limited (formerly J.P. Morgan Fleming Asset Management (UK) Limited). As part of this reorganisation, the Company's parent changed from J. P. Morgan Investment Management Limited to JPMorgan Asset Management (UK) Limited. In addition, the business of the Company, including its assets, was transferred to the Company's new parent on this date, subject to relevant clients agreeing to the novation of their contracts from the Company to its parent.

The directors anticipate that the Company will be put into voluntary liquidation when all clients have agreed to the novation of their contracts.

The Company is regulated by the Financial Services Authority (FSA) and registered with the U.S. Securities and Exchange Commission (SEC).

### **Results and dividends**

The profit on ordinary activities for the year before taxation was \$429,000 (2004: \$743,000). The profit after taxation was \$300,000 (2004: \$743,000). An interim dividend of \$4,555,000 was declared and paid during the year (2004: nil). Transfers from reserves for the year were \$4,255,000 (2004: Retained profit \$743,000). The directors are not recommending a final dividend.

### **Directors**

The names of the current directors are listed on page 1.  
The following directors have resigned since 1 January 2005 :

M B E White resigned on 7 February 2005  
M S Tickle resigned on 11 March 2005

The following directors have been appointed since 1 January 2005:

J B Broderick appointed on 3 March 2005  
R M J Thompson appointed on 25 April 2005  
C D Fleming appointed on 8 August 2005  
H M Baldwin appointed 6 October 2005

### **Directors' interests**

None of the directors have any direct beneficial interest in the Company. As the Company was a wholly owned subsidiary of a body corporate incorporated outside the United Kingdom during the period, the directors are not required to notify the Company of interests in shares of that or any other body incorporated outside the United Kingdom.

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## Directors' report for the year ended 31 December 2005 (Continued)

### Financial risk management

Risk management is an inherent part of JPMorgan Chase Group's business activities (of which the Company is a part) and the Company has adopted the same risk management policies and procedures as the Group as a whole. The Group and the Company's risk management framework and governance structure are intended to provide comprehensive controls and ongoing management of its major risks. The Company exercises oversight through the Board of Directors, who in turn delegate to the various sub-committees which are organised in line with Group Risk Management policy.

The Company's operations expose it to a variety of financial risks the most significant of which are credit risk, operational risk and foreign exchange risk.

An overview of the key aspects of risk management and the use of financial instruments is provided below. A more detailed description of the policies and processes adopted by all Group companies may be found within the JPMorgan Chase & Co. Annual Report.

#### Credit risk

The Company complies with Group policies which require monthly monitoring and reporting of exposures to all financial institutions. These exposures are subject to a Group concentration limit and are reviewed annually by the relevant risk committees.

#### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems, human factors or external events. To monitor and control operating risk, the Group and the Company maintains a system of comprehensive policies and a control framework designed to provide a well-controlled operational environment, and to monitor and record any control failures.

#### Foreign exchange risk

The Company uses financial instruments (derivatives) to manage foreign currency exposures in respect of its balance sheet. In addition, hedge accounting is applied to investments in subsidiaries denominated in non-sterling currencies. The policies set by the Group are implemented by the Company's finance department. The department ensures compliance with these policies by the use of procedures that set out specific guidelines on the circumstances where it would be appropriate to use derivatives to manage these exposures.

### Statement of directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## Directors' report for the year ended 31 December 2005 (Continued)


### Statement of directors' responsibilities (continued)

The directors confirm that they have complied with the above requirements in preparing these financial statements. 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.

### Companies Act 1985

An elective resolution under section 379A of the Companies Act 1985 was passed on 4 May 2001 dispensing with the requirement for the holding of Annual General Meeting, the laying of financial statements before shareholders at general meeting and the annual re-election of auditors.

### By order of the Board

  
\_\_\_\_\_  
For & on behalf of J.P. Morgan Secretaries (UK) Limited

28 April 2006  
Date

## Independent auditors' report to the members of

### JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

We have audited the financial statements of JPMorgan Asset Management (London) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

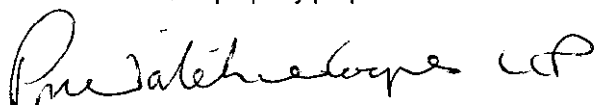
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its 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

28 April 2006

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## Profit and loss account for the year ended 31 December 2005

	Notes	2005 \$ '000	2004 \$ '000
Turnover	2	240	240
Other operating (expense)/income	3	(308)	270
		(68)	510
Administrative expenses	4	(7)	(14)
<b>Operating (loss)/ profit</b>		(75)	496
Interest receivable and similar income	5	504	247
<b>Profit on ordinary activities before taxation</b>		429	743
Tax on profit on ordinary activities	7	(129)	-
<b>Profit on ordinary activities after taxation</b>		300	743
Interim dividend paid		(4,555)	-
<b>(Transfer from reserves)/Retained profit for the year</b>		(4,255)	743
Retained profit brought forward		4,353	3,610
<b>Retained profit carried forward</b>		98	4,353

The Company has no recognised gains and losses for the period other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 11 form an integral part of the financial statements.



# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

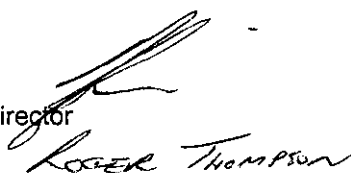
(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## Balance sheet as at 31 December 2005

	Notes	2005 \$ '000	2004 \$ '000
<b>Current assets</b>			
Debtors	8	111	11
Cash at bank held with group undertaking		11,041	15,361
		11,152	15,372
<b>Creditors : amounts falling due within one year</b>	9	(132)	(97)
<b>Net current assets</b>		11,020	15,275
<b>Net assets</b>		11,020	15,275
<b>Capital and reserves</b>			
Called up share capital	10	10,922	10,922
Profit and loss account		98	4,353
<b>Shareholders' funds</b>	11	11,020	15,275

The financial statements on pages 6 to 11 were approved by the board of directors on 28 April 2006.

Director



ROGER THOMPSON

The notes on pages 8 to 11 form an integral part of the financial statements.

# **JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED**

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

## **Notes to the financial statements for the year ended 31 December 2005**

### **1. Accounting policies**

#### **Basis of preparation**

These financial statements have been prepared on a break-up basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

#### **Cash flow statement**

In accordance with accounting standard Financial Reporting Standard ('FRS') 1 (revised), the Company has not prepared a cash flow statement since the Company is a wholly owned subsidiary of a parent undertaking which includes a consolidated cash flow statement in its financial statements.

#### **Related party transactions**

As the Company is a wholly owned subsidiary undertaking it has taken advantage of an exemption under FRS 8 "Related party disclosures" and has not disclosed transactions with group companies and investees of the group qualifying as related parties.

#### **Pensions and other post-retirement benefits**

The Company participates in a defined contribution scheme to which most of its employees belong and in a scheme with a defined benefit and defined contribution section. The defined benefit section is now closed to new members, however a small number of the Company's employees continue to accrue benefits under it. The Company accounts for these in accordance with FRS17, as follows:

##### Defined contribution scheme and sections

Contributions payable to the schemes/sections in respect of the accounting period are charged to the profit and loss account on an accruals basis.

##### Defined benefit sections

*This is a multi-employer scheme, in which the Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. The scheme has a common contribution/accrual rate across all participating entities and the profit and loss charge is based on this rate applied to the relevant payroll/contributions.*

This treatment is consistent with that prescribed by FRS 17, being comparable to that adopted for defined contribution schemes with additional disclosure regarding any surplus/deficit of the entire assets and liabilities of the scheme.

#### **Deferred taxation**

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

Deferred tax assets are recognised to the extent that they are regarded as recoverable, where it is more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

#### **Income and expenditure**

Income and expenditure are included on an accruals basis.

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

Notes to the financial statements for the year ended 31 December 2005

## 1. Accounting policies (continued)

### Foreign currencies

Monetary assets and liabilities held in foreign currencies at the balance sheet date are expressed in US dollars at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling on the date on which the transaction occurs. All resulting exchange gains or losses are dealt with in the profit and loss account.

## 2. Turnover

Turnover represents fees and commissions receivable in respect of management and administration services, which are provided in the United Kingdom. The Company has only one class of business and operates in only one geographical segment.

## 3. Other operating (expense)/income

	2005	2004
	\$ '000	\$ '000
Foreign exchange translation (loss)/gain	(308)	270

## 4. Administrative expenses

Administrative expenses include:-

	2005	2004
	\$ '000	\$ '000
Auditors' remuneration for audit services	5	14

## 5. Interest receivable and similar income

	2005	2004
	\$ '000	\$ '000
Interest receivable from other group undertakings	504	247

## 6. Directors' emoluments

	2005	2004
	\$ '000	\$ '000
Aggregate emoluments	172	36
Total contributions to a defined contribution plan for all directors	1	1

### Retirement benefits:

Number of directors to whom defined contribution pension rights accrued	6	1
Number of directors to whom defined benefit pension rights accrued	1	3
Number of directors who received shares as part of long-term incentive schemes	7	4
Numbers of directors	9	4

The amounts shown above for both 2004 and 2005 in respect of emoluments paid to directors excludes shares receivable by directors under long term incentive plans in accordance with Schedule 6 of the Companies Act 1985. Details of these schemes are disclosed in the statutory accounts of the parent company (JPMorgan Asset Management (UK) Limited).

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

Notes to the financial statements for the year ended 31 December 2005

## 7. Taxation on profit on ordinary activities

	2005 \$ '000	2004 \$ '000
<b>(a) Analysis of tax charge in period</b>		
UK corporation tax on current year profits	129	-
<b>Tax on profit on ordinary activities</b>	<u>129</u>	<u>-</u>
<b>(b) Factors affecting tax charge for year</b>		
Profit on ordinary activities before tax	429	743
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	129	223
<b>Effects of:</b>		
Surrender of tax losses from fellow subsidiaries	-	(223)
<b>Current tax charge for year</b>	<u>129</u>	<u>-</u>

## 8. Debtors

	2005 \$ '000	2004 \$ '000
Amounts owed by group undertakings	<u>111</u>	<u>11</u>

## 9. Creditors : amounts falling due within one year

	2005 \$ '000	2004 \$ '000
Amounts owed to group undertakings	-	74
Corporation tax	129	-
Accruals and deferred income	<u>3</u>	<u>23</u>
	<u>132</u>	<u>97</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

## 10. Called up share capital

	2005 \$'000	2004 \$'000
Authorised share capital		
7,500,000 ordinary shares of \$2 each	<u>15,000</u>	<u>15,000</u>
Issued, allotted and fully paid share capital		
5,460,832 ordinary shares of \$2 each	<u>10,922</u>	<u>10,922</u>

# JPMORGAN ASSET MANAGEMENT (LONDON) LIMITED

(Formerly J.P. Morgan Fleming Asset Management (London) Limited)

Notes to the financial statements for the year ended 31 December 2005

## 11. Reconciliation of movement in shareholders' funds

	2005 \$ '000	2004 \$ '000
Shareholders' funds brought forward	15,275	14,532
Profit for the period	300	743
Dividends	(4,555)	-
<b>Shareholders' funds carried forward</b>	<b>11,020</b>	<b>15,275</b>

## 12. Ultimate holding company

The immediate parent undertaking of JPMorgan Asset Management (London) Limited is JPMorgan Asset Management (UK) Limited (formerly J. P. Morgan Fleming Asset Management (UK) Limited)

*The parent Company of the largest group for which consolidated financial statements are prepared and the ultimate holding Company is JPMorgan Chase & Co which is incorporated in the United States of America.*

The smallest group which the Company is consolidated into is that headed by JPMorgan Asset Management International Limited (formerly J.P. Morgan Fleming Asset Management International Limited), registered in England & Wales.

The consolidated financial statements of JPMorgan Chase & Co and JPMorgan Asset Management International Limited are available to the public and may be obtained from:

The Company Secretary  
125 London Wall  
London EC2Y 5AJ