

Company Registration No. 4153386

JPMORGAN CAZENOVE LIMITED

Annual report and financial statements
Year ended 31 December 2008

THURSDAY



LY70SEI2

L27

29/10/2009

54

COMPANIES HOUSE

Report to the Financial Services Authority

**ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008**

Contents	Page
Directors' report	1
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Statement of total recognised gains and losses	8
Reconciliation of movements in shareholders' funds	8
Notes to the financial statements	9

Directors' report

The directors submit their annual report and the audited financial statements of JPMorgan Cazenove Limited ('the Company') for the year ended 31 December 2008.

Principal activities

The Company's main activities are investment banking and corporate broking. The Company and its subsidiaries have operated during the year in the United Kingdom, Hong Kong, China, Singapore and Germany whilst the company also had a branch operation, undertaking corporate finance activities in France. The Company is a member of or participant in The London Stock Exchange together with the New York Stock Exchange Euronext, PLUS Markets, SWX Europe Limited (previously known as Virt-X), Deutsche Borse, Borsa Italiana, NASDAQ OMX Nordic, Hong Kong Stock Exchange, Turquoise, BATS and Chi-X. The Company is also regulated by the Financial Services Authority.

Business review and financial statements

Key performance indicators for the JPMorgan Cazenove group are shown below for the year, together with comparative information for the prior year:

	2008	2007
Staff costs over revenue	49%	50%
Cost: income ratio (before goodwill amortisation)	68%	67%
Return on equity	64%	84%

The first two indicators are based upon a JPMorgan Cazenove group management view of the financial information whereby bonus share awards made over vesting periods just after a year end are seen as a cost in full for that year, and amortisation charges over vesting periods are consequently excluded.

In London all employees are employed by JPMorgan Cazenove Service Company which is also a wholly owned subsidiary of JPMorgan Cazenove Holdings. In overseas countries, employees are employed by their local operating company or branch.

During the year the company's subsidiary Cazenove AG was sold and the company contracted to sell its Hong Kong subsidiary Cazenove Asia Limited (thereby also selling Cazenove Asia's subsidiary, Cazenove & Co. (Singapore) Pte Ltd, and representative offices in mainland China). This sale completed at the end of January 2009. The Company has also closed its Paris branch, but anticipates continuing investment banking activity in the United Kingdom in the coming year.

The Company is adequately capitalised, continues to trade profitably and has access to undrawn committed cash facilities. The directors are therefore satisfied that the Company can be treated as a going concern.

The financial results for the company are shown on page 6 of these financial statements.

Risk management

The JPMorgan Cazenove group has adopted policies towards the exposure to, and tolerance of the key risks faced by the businesses within the Group. It has also adopted policies for the management of those risks. The key risks to which the Group is exposed are identified and reviewed under the five risk headings of business, reputational, credit, market and operational risks.

A process has been established for identifying and evaluation significant risks and any policy breaches. As part of this process reports are provided by those with responsibility for monitoring the risk and control procedures. This information is provided to relevant committees and the Board to assess the effectiveness of the risk management processes and the system of internal controls.

Internal controls are designed to manage rather than eliminate risks, some of which are integral to the Group's business. As such the risk management processes and system of internal controls can provide only reasonable but not absolute assurance against potential losses.

Information on financial instruments and risk management can be found in Note 13.

Directors' report

Payment of creditors

The Company's policy is to pay suppliers within 30 days of the date of the invoice, or to meet suppliers' payment terms if earlier if that is possible.

Results and dividends

The results for the year are set out in the profit and loss account on page 6. Dividends of £88,000,000 were paid in respect of the year ended 31 December 2008 (31 December 2007: £112,000,000). The directors recommend an interim dividend of £76,000,000. The payment, if confirmed, will be presented in the Company's results in the year to 31 December 2009.

Directors

The following directors served during the year:

A T Camruthers	(appointed on 13 March 2008)
J E B Colenutt	(appointed on 13 March 2008)
N Kheraj	(appointed on 2 October 2008)
D L Mayhew	
R M Pickering	(resigned on 30 April 2008)
M R P Power	

Miss J Earl resigned as Company Secretary of the Company on 30 January 2009 and Mr G Madie was subsequently appointed as Company Secretary on 11 February 2009.

Employees

The Company did not have any UK employees during the year under review, but received services from JPMorgan Cazenove Service Company, the employer of UK based employees within the JPMorgan Cazenove Group.

There is consultation with employees on decisions that affect either their current jobs or future prospects, subject to considerations regarding the company's interests.

Applications for employment by disabled persons are considered taking into account the applicant's skills and abilities. In the event of individuals becoming disabled during employment, endeavours are made to ensure that they can continue their employment and, wherever possible, their career within the firm. Training, career opportunities and promotion for all staff, including, wherever possible, disabled staff, are identical.

Share capital

The Company has an authorised share capital of £60,000,000 divided into 600,000,000 ordinary shares. As at 31 December 2008 the issued share capital comprised 483,034,776 ordinary shares (2007: 483,034,776 ordinary shares).

Donations

The Company did not make any charitable donation during the year (2007: £245,218). No contributions or payments were made to any political organisation.

Directors' report

Capital Resources and Requirements

In accordance with the rules of the Financial Services Authority (BIPRU 11.4.5, 11.5.3 and 11.5.4), the Company is required to make the disclosures below. It does so as a 'significant subsidiary' of regulated entities or holding companies in the European Economic Area, which themselves are obliged to make disclosures under 'Pillar 3' of the Basel requirements. These disclosures concerning regulatory capital resources and requirements were as at 31 December 2008 and are made on an individual company basis.

- a) As at 31 December 2008, the Company's regulatory capital totalled £267,128,000 and was made up as follows:

	31.12.08 £'000	31.12.08 £'000
Tier one capital resources:		
- Called up share capital	48,303	
- Share premium account	45,880	
- Audited tier one reserves as at 31 December 2008	123,845	
		218,028
Tier two capital resources:		
- Subordinated loan (see note 29)	50,000	
- Revaluation reserve	393	
		50,393
Material holdings deduction		(1,203)
Deductions from resources:		
- Free deliveries 5 days or more beyond contractual settlement date		(90)
		<u>267,128</u>

- b) The Company has assessed internal capital requirements in an ICAAP ('Internal Capital Adequacy Assessment Process'). It has not assessed capital requirements to be in excess of those otherwise required for regulatory purposes. As at 31 December 2008, the Company's Pillar 1 regulatory capital requirement totalled £75,266,000 and was made up as follows:

	31.12.08 £'000	31.12.08 £'000
8% of the risk weighted exposure amounts for:		
- Claims or contingent claims on corporates	2,838	
- Claims or contingent claims on institutions	45	
- Other items	2,895	
		5,778
In respect of trading book business:		
- Interest rate Market Risk Capital Requirement ('MRCR')	1,487	
- Equity rate MRCR	6,999	
- Option MRCR	377	
- Counterparty risk capital component	2,947	
		11,810
In respect of all business:		
- Foreign exchange MRCR		457
Operational risk requirements		
- Basic indicator approach		57,221
		<u>75,266</u>

Directors' report

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Each director, as at the date of the report, has responsibility for ensuring that:

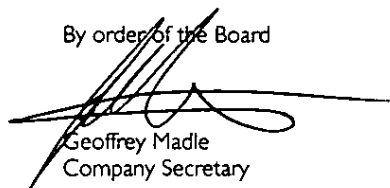
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution was passed on 24 January 2002 to dispense with holding annual general meetings and the laying of financial statements before the Company in a general meeting. The Company has also elected to dispense with the obligation to appoint auditors annually and, accordingly, PricewaterhouseCoopers LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 485-488 of the Companies Act 2006.

By order of the Board



Geoffrey Madle
Company Secretary

2 March 2009

Independent auditors' report to the members of JPMorgan Cazenove Limited

We have audited the financial statements of JPMorgan Cazenove Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements.

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

We 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

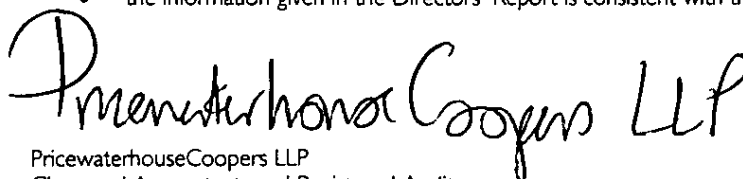
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
2 March 2009

Profit and loss account

Year ended 31 December 2008

	Note	Year ended 31.12.08 £'000	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000	Year ended 31.12.07 £'000
TURNOVER	2		376,157		399,757
Staff costs	3	(182,288)		(199,173)	
Other administrative expenses		<u>(63,169)</u>		<u>(73,001)</u>	
Administrative expenses			<u>(245,457)</u>		<u>(272,174)</u>
OPERATING PROFIT	7		130,700		127,583
Interest receivable and similar income	5	19,598		15,806	
Interest payable and similar charges	6	<u>(5,583)</u>		<u>(7,780)</u>	
			<u>14,015</u>		<u>8,026</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			144,715		135,609
Tax charge on profit on ordinary activities	8		<u>(39,884)</u>		<u>(39,730)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			104,831		95,879
Dividends	9		<u>(88,000)</u>		<u>(112,000)</u>
RETAINED PROFIT / (LOSS) FOR THE YEAR	26		<u>16,831</u>		<u>(16,121)</u>

The notes on pages 9 to 19 form part of these financial statements.

Balance sheet

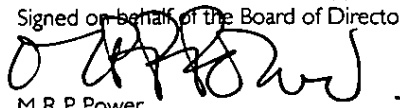
31 December 2008

	Note	31.12.08 £'000	31.12.08 £'000	31.12.07 £'000	31.12.07 £'000
FIXED ASSETS					
Tangible assets	10	33,554		38,738	
Investment in subsidiaries	12	1,203		2,459	
			34,757		41,197
CURRENT ASSETS					
Financial assets held at fair value through the profit and loss account	11	123,177		92,099	
Available for sale investments	12	88		25	
Margin and other deposits held with clearing houses		19,280		9,682	
Market and client debtors	14	213,067		428,388	
Other debtors	15	40,683		38,071	
Money paid against stock borrowed	16	83,397		170,758	
Cash at bank and in hand		164,247		175,775	
		643,939		914,798	
CREDITORS: Amounts falling due Within one year					
Financial liabilities held at fair value through the profit and loss account		120,334		80,109	
Amounts due against stock lending		-		8,239	
Derivatives held for hedging	17	1,870		-	
Market and client creditors	19	173,883		444,723	
Other creditors including taxation and social security	20	82,522		100,581	
Bank overdraft		7,298		43,690	
		(385,907)		(677,342)	
NET CURRENT ASSETS			258,032		237,456
TOTAL ASSETS LESS CURRENT LIABILITIES			292,789		278,653
CREDITORS: Amounts falling due after more than one year					
Subordinated loans	29	50,000		50,000	
Other creditors	22	9,471		9,821	
			(59,471)		(59,821)
PROVISIONS FOR LIABILITIES AND CHARGES	23		(14,898)		(15,902)
NET ASSETS			218,420		202,930
CAPITAL AND RESERVES					
Called up share capital	25		48,303		48,303
Share premium account			45,880		45,880
Revaluation reserve	26		393		393
Cashflow hedging reserve	26		(1,341)		-
Profit and loss account	26		125,185		108,354
EQUITY SHAREHOLDERS' FUNDS			218,420		202,930

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on 2 March 2009.

Signed on behalf of the Board of Directors



M R P Power
Director

Statement of total recognised gains and losses

Year ended 31 December 2008

	Note	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Profit for the financial year		104,831	95,879
Loss on foreign currency cash flow hedge		(1,870)	-
Movement on tax relating to foreign currency cash flow hedge		529	-
		<u>103,490</u>	<u>95,879</u>

Reconciliation of movements in shareholders' funds

	Note	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Profit for the financial year		104,831	95,879
Dividends	9	<u>(88,000)</u>	<u>(112,000)</u>
		16,831	(16,121)
Other recognised gains and losses		<u>(1,341)</u>	<u>-</u>
Net increase / (decrease) in shareholders' funds		15,490	(16,121)
Opening shareholders' funds		<u>202,930</u>	<u>219,051</u>
Closing shareholders' funds		<u>218,420</u>	<u>202,930</u>

The notes on pages 9 to 19 form part of these financial statements.

Notes to the Financial Statements

I. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below:

Accounting convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets and financial instruments in accordance with the Companies Act 1985 and applicable accounting standards.

Foreign currency translation

Items included in the financial statements are measured using sterling, as the currency of primary economic environment in which the company operates.

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the closing rates of exchange. Any foreign exchange differences are taken directly to the profit and loss account.

Turnover

Turnover comprises:

- i) Gains and losses on market making and other security transactions, which are arrived at after taking into account attributable dividends and interest payable and receivable. These are recorded on trade date.
- ii) Gross commissions from acting as agent in investment business, less rebates and commissions paid. These are recorded on trade date.
- iii) Gross underwriting commissions received, less commissions paid. These are recorded on the date on which they are entitled to be received and can be reliably measured.
- iv) Corporate finance and other fees. These are recognised when they are contractually due and can be reliably measured.

Interest receivable and payable

Interest receivable and similar income and interest payable and similar charges are recognised on an effective interest rate basis in the profit and loss account for the financial instruments measured at amortised cost.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Fixed asset investments

Fixed asset investments held in subsidiary undertakings are valued at cost less any provision for impairment in value that the directors consider necessary.

Leasehold property

A leasehold property is held at directors' valuation. It is held on a long lease and therefore is not depreciated.

Leasehold improvements

Leasehold improvements are held at cost less depreciation and any provision for impairment, and are depreciated on a straight line basis over their useful economic lives. This is restricted to the length of the relevant lease, or to the date of the next break in the lease if shorter.

Reinstatement costs of leasehold properties

Costs of reinstating leasehold properties are capitalised and depreciated over the life of the relevant lease. A related provision has been established based upon current estimated reinstatement costs.

Fixtures, fittings and equipment

Fixtures, fittings and equipment are held at cost less depreciation and any provision for impairment, and are depreciated on a straight line basis over their useful economic lives, which is between three and fifteen years.

Notes to the Financial Statements

1. ACCOUNTING POLICIES (continued)

Financial instruments

The Group classifies its financial instruments in the following categories: financial instruments at fair value through profit and loss, receivables (debtors), available for sale investments, and derivatives held for hedging.

Management determines the classification of financial instruments at initial recognition.

Financial instruments are recognised and derecognised on a trade date basis. Financial instruments held for the purposes of employee share grants are derecognised when ownership is transferred to employees or when sold. In the case of restricted shares, they are derecognised when they are no longer restricted and unfettered ownership passes to employees.

Available for sale investments and financial instruments at fair value through profit and loss are initially measured and subsequently carried at fair value. Gains and losses arising from the changes in the fair value of financial instruments held at fair value through profit and loss category are included in the Profit and Loss Account in the period in which they arise. Gains and losses arising from the changes in the fair value of available for sale investments are included in the available for sale reserve in the period in which they arise and are recycled to the profit and loss account when the financial instrument is either impaired or derecognised.

Derivatives held for hedging activities

Any changes in the fair value of a derivative are taken to the profit and loss account. Where the derivative is a designated cash flow hedging instrument changes in fair value are recorded in the cashflow hedging reserve and recycled to the profit and loss account when the hedged transaction impacts the profit and loss account.

Contribution to fit-out costs

The contribution to the fit-out costs of 20 Moorgate from the former partners of Cazenove & Co. will be released to the profit and loss account over the useful economic lives of the underlying assets in line with the depreciation charged.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Clients' deposits

The firm holds money on behalf of clients in accordance with the Client Asset Rules of the Financial Services Authority. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet, as the firm is not beneficially entitled to them. The amount held on behalf of clients at the year end is disclosed in note 27.

2. TURNOVER

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Equities income	165,026	187,125
Corporate Finance/ Capital Markets Income	211,131	212,632
Total Income	376,157	399,757

3. STAFF COSTS

JPMorgan Cazenove Service Company is the employer of all the UK based employees working for JPMorgan Cazenove Holdings and its subsidiaries. The average number of employees employed in the UK by JPMorgan Cazenove Service Company during the year was 795 (2007: 796). JPMorgan Cazenove Limited pays its staff costs via management recharges from JPMorgan Cazenove Service Company.

Pension disclosures are contained in the financial statements of JPMorgan Cazenove Service Company and JPMorgan Cazenove Holdings. JPMorgan Cazenove Service Company, as the employer of all JPMorgan Cazenove Holdings employees in the UK, makes contributions to a defined benefit pension scheme and a defined contribution scheme for all employees in respect of pensions.

Notes to the Financial Statements

4. DIRECTORS' EMOLUMENTS

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Directors' emoluments:		
Total emoluments (excluding pension contributions)	7,666	3,850
Highest paid director	2,801	1,788
Number of directors who are current members of a defined benefit pension scheme	No. 1	No. 1
Number of directors who are current members of a defined contribution scheme	0	0

The accrued pension entitlement of the highest paid director as at year ended 31 December 2008 was £697 (31 December 2007: £668). One director received company contributions to the JPMorgan Cazenove Defined Contribution Pension Plan of £11,712 (31 December 2007: £nil).

One director received compensation for loss of office in cash of £494,000. In addition, conditional share awards to the value of £2,141,982 were vested, being the value of share awards already granted in respect of which the original vesting date was brought forward.

Where an individual is a director of more than one group company, director's emoluments include the proportion of each relevant director's remuneration attributable to the company.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Interest receivable	8,959	14,536
Interest receivable from group undertaking: JPMorgan stock borrowing	243	-
Dividends from subsidiary undertaking	10,396	1,270
	19,598	15,806

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Interest payable to group undertaking: JPMorgan Europe subordinated loan	3,086	3,154
Interest payable to group undertaking: other	545	2,219
Other	1,952	2,407
	5,583	7,780

Notes to the Financial Statements

7. OPERATING PROFIT

	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000
Operating profit is stated after charging /(crediting):		
Depreciation	4,799	6,268
Foreign exchange differences	(149)	(935)
Loss arising on disposal of subsidiary (including legal costs)	60	-
Operating lease rentals		
• land and buildings	8,279	7,033
Fees payable to the company's auditor:		
• for the audit of the company's annual accounts	56	55
• for other services pursuant to legislation	30	30

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax. The differences are explained below:

8.1 ANALYSIS OF TAX CHARGE

	Year ended 31.12.08 £'000	Year ended 31.12.08 £'000	Year ended 31.12.07 £'000	Year ended 31.12.07 £'000
Corporation tax				
UK corporation tax	40,217		40,645	
Double tax relief	-		(3)	
Overseas tax	4		3	
Adjustments in respect of prior years	(60)		(274)	
Current tax charge for the year		40,161		40,371
Deferred tax				
Timing differences, origination and reversal	(267)		(345)	
Reduction in tax rate	-		(296)	
Adjustments in respect of prior years	(10)		-	
Total deferred tax (credit) / charge		(277)		(641)
Tax charge on profit on ordinary activities		39,884		39,730

Notes to the Financial Statements

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)

8.2 FACTORS AFFECTING TAX CHARGE FOR THE CURRENT YEAR

	31.12.08 £'000	31.12.07 £'000
Profit on ordinary activities before tax	144,715	135,609
Tax on profit on ordinary activities at 28.5% (Year ended 31.12.07: 30%).	41,240	40,683
Factors affecting charge:		
Dilapidations/amortisation not deductible for tax purposes	137	267
Other expenses not deductible for tax purposes	84	27
Non-taxable reverse premium	-	-
Non-taxable release of contribution to fit out	(358)	(477)
Non-taxable write back of investment in subsidiary undertaking	-	-
Depreciation in excess of capital allowances	273	308
Depreciation on assets not qualifying for capital allowances	158	218
Underlying tax on overseas dividends received	(1,313)	(381)
Adjustments in respect of prior years	(60)	(274)
Current tax charge for the year	40,161	40,371

9. DIVIDENDS

	31.12.08 £'000	31.12.07 £'000
Interim paid	88,000	112,000

10. TANGIBLE FIXED ASSETS

	Reinstatement Costs	Leasehold Property	Leasehold Improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2008	11,697	600	43,817	15,737	71,851
Additions	-	-	37	306	343
Written back in the year	(728)	-	-	-	(728)
As at 31 December 2008	10,969	600	43,854	16,043	71,466
Depreciation					
At 1 January 2008	3,466	-	15,040	14,607	33,113
Charge for the year	743	-	3,514	804	5,061
Written back in the year	(262)	-	-	-	(262)
Depreciation at 31 December 2008	3,947	-	18,554	15,411	37,912
Net Book Value					
At 31 December 2008	7,022	600	25,300	632	33,554
Net Book Value					
At 31 December 2007	8,231	600	28,777	1,130	38,738

Notes to the Financial Statements

11. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT

These are made up of the following:

	31.12.08 £'000	31.12.07 £'000
Equity securities	63,140	52,402
Debt securities	14,271	22,115
Convertible securities	44,136	14,079
Other	1,630	3,503
Total	123,177	92,099

12. INVESTMENTS

	Investments in subsidiaries £'000	Available for sale- unlisted investments £'000	Total £'000
Balance at 1 January 2008	2,459	25	2,484
Transfer	(63)	63	-
Disposals	(1,193)	-	(1,193)
Balance at 31 December 2008	1,203	88	1,291

JPMorgan Cazenove Limited disposed of 95% of its subsidiary, Cazenove AG, for £1,191,000 during the year generating a loss, after professional fees, of £60,000. The Company's remaining 5% stake in that company, renamed Cervus Capital Partners, is held as an available for sale investment at a value of £63,000.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial assets and liabilities of the Company comprise:

- Financial assets and liabilities held at fair value through the profit and loss account. These are mainly trading book investments in listed securities and are held at market value. They also include money market securities held at market value.
- Available for sale investments and cash flow hedging instruments are held at fair value through an available for sale reserve and a cashflow hedging reserve respectively. The cash flow hedging instrument is a forward currency sale to hedge the expected proceeds on the sale of Cazenove Asia Limited.
- Cash at bank and in hand is held at its cash value and includes cash deposits.
- Other liabilities are held at their cash value, with the only contractual cash liability held with a maturity of more than one year being the subordinated loan.

Financial assets and liabilities are recognised on a trade date basis. Market counterparty debtors and creditors predominantly relate to trades not yet due to settle.

Risk management is subject to JP Morgan Cazenove Group board policies on risk exposure and tolerance. Particular risks are considered below:

- Market risk is monitored by various means including Value at Risk ("VaR"). Some activities employ hedging strategies which can limit the effectiveness of VaR calculations and on these books risk is assessed at the instrument level. As at 31 December 2008 the VaR on market making positions and

Notes to the Financial Statements

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- b) bonds was £525,000 (31 December 2007: £101,000). VaR is calculated using a one day time horizon and a 95% confidence level.
- c) Credit risk arising from potential defaults on cash deposits is mitigated by the JPMorgan Cazenove Group's policy of limiting exposure to any single bank to a set limit and only placing deposits with banks approved by the JPMorgan Cazenove Group's Credit and Limits Committee with reference to prevailing credit ratings.

14. MARKET AND CLIENT DEBTORS

	31.12.08 £'000	31.12.07 £'000
Amount owed by subsidiary undertakings	9,938	25,520
Amounts owed by fellow group undertakings	1,736	-
Other	201,393	402,868
	<u>213,067</u>	<u>428,388</u>

15. OTHER DEBTORS

	31.12.08 £'000	31.12.07 £'000
Amounts owed by parent undertaking	122	7,519
Amounts owed by fellow group undertakings	8,866	8,843
Amount owed by subsidiary undertaking	57	1,926
Corporation tax recoverable	2,385	406
Other debtors	27,726	16,467
Prepayments	1,527	2,910
	<u>40,683</u>	<u>38,071</u>

Notes to the Financial Statements

16. MONEY PAID AGAINST STOCK BORROWED

	31.12.08 £'000	31.12.07 £'000
Money paid against stock borrowed includes:		
Amounts owed by fellow group undertaking	53,100	4,818

17. DERIVATIVES HELD FOR HEDGING

This balance represents the liability arising on a foreign currency cash flow hedge relating to the expected proceeds from the sale of Cazenove Asia Limited.

18. FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT

These are made up of the following:

	31.12.08 £'000	31.12.07 £'000
Equity securities	106,377	70,053
Debt securities	13,780	6,136
Convertible securities	-	3,687
Other	177	233
Total	120,334	80,109

19. MARKET AND CLIENT CREDITORS

	31.12.08 £'000	31.12.07 £'000
Amount owed by subsidiary undertakings	6,673	8,415
Amounts owed by fellow group undertakings	9,262	-
Other	157,948	436,308
	173,883	444,723

Notes to the Financial Statements

20. OTHER CREDITORS INCLUDING TAX AND SOCIAL SECURITY

	31.12.08 £'000	31.12.07 £'000
Amount owed to fellow group undertaking	20,830	47,487
Amount owed to subsidiary undertaking	1	-
Amount owed to parent undertaking	-	12,900
Contribution from former partners of Cazenove & Co.	1,087	1,255
Corporation tax	18,923	23,787
Other creditors	35,538	7,627
Accrued interest payable on JP Morgan subordinated loan	180	291
Accruals	5,963	7,234
	<u>82,522</u>	<u>100,581</u>

Accruals includes a provision relating to an onerous lease of £712,000 (2007: £nil) for the Company's Paris office.

21. OPERATING LEASE COMMITMENTS

At 31 December 2008, the Company was committed to making the following payments during the next year in respect of operating leases:

	31.12.08 Land and buildings £'000	31.12.07 Land and buildings £'000
Leases which expire:		
Within two to five years	299	255
After five years	7,991	7,991
	<u>8,290</u>	<u>8,246</u>

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.08 £'000	31.12.07 £'000
Contributions from former partners of Cazenove & Co.	7,764	8,851
Amounts owed to fellow group undertaking	1,707	970
	<u>9,471</u>	<u>9,821</u>

23. PROVISIONS FOR LIABILITIES AND CHARGES

	Reinstatement Provision £'000	Deferred Tax £'000	Total £'000
i) Provision at 1 January 2008	11,697	4,205	15,902
Movement in the year	(728)	(276)	(1,004)
Provision at 31 December 2008	<u>10,969</u>	<u>3,929</u>	<u>14,898</u>
ii) Analysis of deferred tax balance			
Capital allowances in excess of depreciation			3,929
Other short term timing differences			-
Provision at end of year			<u>3,929</u>

Notes to the Financial Statements

21. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The reinstatement provision relates to obligations to reinstate the Group's main office at 20 Moorgate, London, to the landlord's requirements as specified in the lease agreement at the end of the lease in January 2026 (or at the next break clause in December 2018). The eventual cost of this or any negotiated settlement is highly uncertain, but the provision is based upon the current estimated costs of reinstatement.

24. GUARANTEES

JPMorgan Cazenove Limited has guaranteed to certain counterparties the settlement of securities transactions undertaken in the normal course of business.

25. CALLED UP SHARE CAPITAL

	31.12.08 £'000	31.12.07 £'000
Authorised 600,000,000 ordinary shares of 10p each	60,000	60,000
Called up, allotted and fully paid 483,034,776 ordinary shares of 10p each	48,303	48,303

26. RESERVES

	Profit and loss account £'000	Revaluation reserve £'000	Cashflow hedging reserve £'000	Total £'000
Balance at 1 January 2008	108,354	393	-	108,747
Retained profit for the financial year	16,831	-	-	16,831
Loss on foreign currency cash flow hedge	-	-	(1,875)	(1,875)
Movement on tax relating to foreign currency cash flow hedge	-	-	534	534
Balance at 31 December 2008	125,185	393	(1,341)	124,237

27. CLIENTS' DEPOSITS

At 31 December 2008, amounts held by the Company on behalf of clients in accordance with the Client Asset Rules of the Financial Services Authority amounted to £21,610,000 (31 December 2007: £22,483,000). The Company has no beneficial interest in these deposits and accordingly they are not included on the Company's balance sheet.

28. CONTINGENT LIABILITIES

The Company has contingent liabilities, which cannot be reliably measured, in respect of letters of indemnity (principally for certified stock transfers and share certificates) given in the ordinary course of business.

Notes to the Financial Statements

29. SUBORDINATED LOANS

The £50,000,000 subordinated loan stock from JP Morgan Europe Limited issued on 28 February 2005 is due for repayment in 2015. The loan carries an interest rate of LIBOR + 40 basis points for the first five years, and LIBOR + 140 basis points thereafter. This loan meets the criteria of an 'approved subordinated loan' for regulatory purposes.

30. ACCOUNTING EXEMPTIONS

The company is a wholly-owned subsidiary of JPMorgan Cazenove Holdings and is included in the consolidated financial statements of JPMorgan Cazenove Holdings, which are publicly available. Consequently, the company has taken advantage of the following accounting standard exemptions:

- The company is exempt from having to prepare a cash flow statement under the terms of FRS 1.
- The company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the JPMorgan Cazenove Holdings group or investees of JPMorgan Cazenove Holdings.
- The company is exempt from the disclosure provisions relating to financial instruments in FRS 29 and instead follows the disclosure provisions of FRS 25.

31. PARENT UNDERTAKING

The parent company of the largest group for which consolidated financial statements are prepared and the ultimate parent company is JPMorgan Chase & Co., a company incorporated in the United States of America. The smallest group of which the Company is a member, and which is required to prepare consolidated financial statements, is J.P. Morgan Capital Holdings Limited, registered in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from: The Company Secretary, 125 London Wall, London EC2Y 5AJ, England.

32. POST BALANCE SHEET EVENTS

Sale of Cazenove Asia Limited

The sale of Cazenove AG and the closure of the Paris branch have both been accounted for within 2008. As the Cazenove Asia deal did not complete until 2009, we have not accounted for the disposal in 2008, but will do so in 2009. The sale proceeds have not yet been finalised but will be based upon the consolidated net assets of Cazenove Asia Ltd, with certain adjustments as prescribed by the sale and purchase agreement, plus a premium. We expect the total disposal proceeds in the Company to be around £50m. The board of JPMorgan Cazenove Holdings will determine the best use of these proceeds in due course.

Dividend

The Board has resolved to pay an interim dividend of £76,000,000 in early 2009. The payment, if confirmed, will be presented in the Company's results in the year to 31 December 2009.