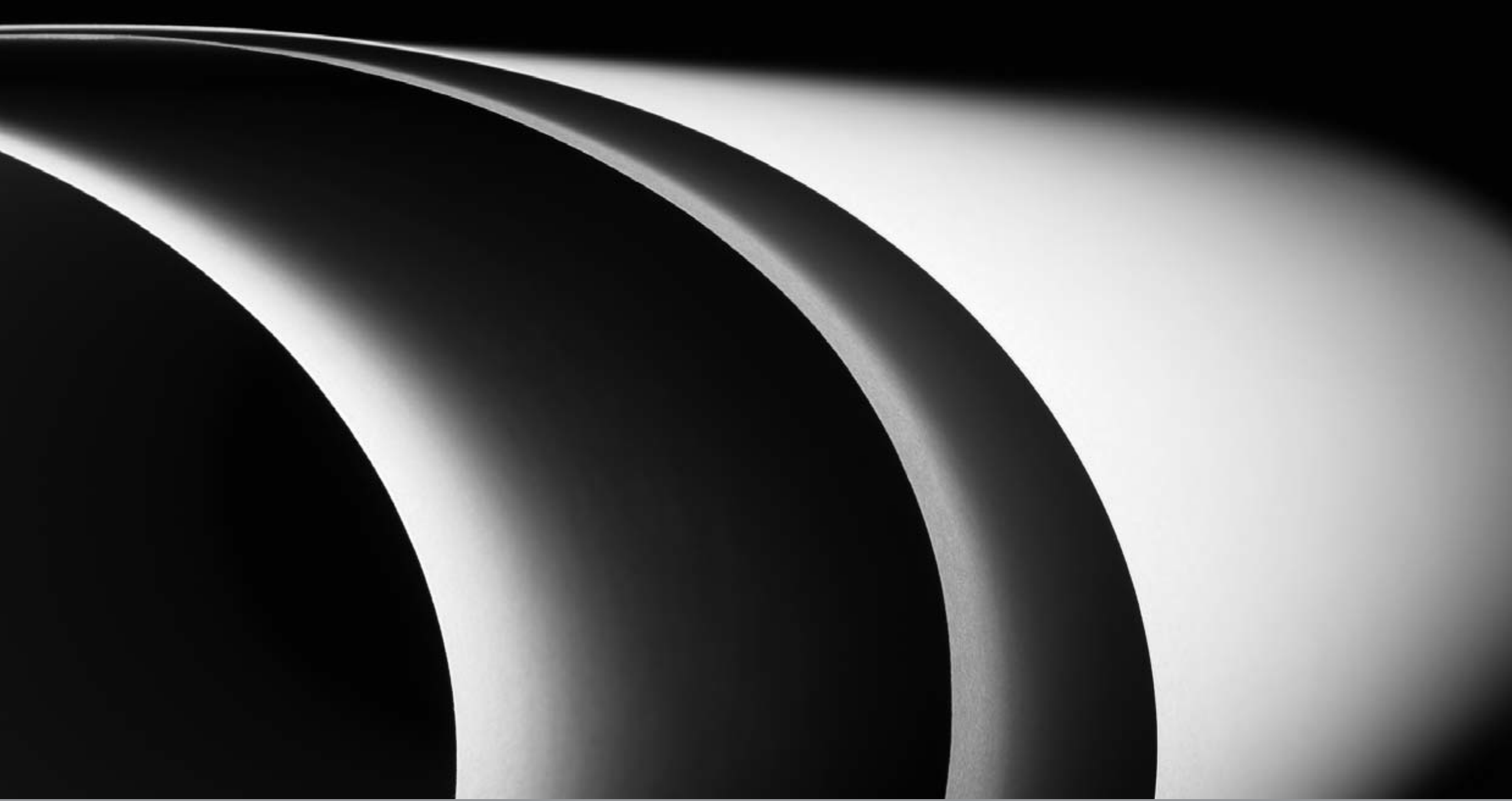

Annual Report & Accounts

JPMorgan Fund III ICVC

31 January 2011

J.P.Morgan
Asset Management

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Contents

This material should not be relied on as including sufficient information to support an investment decision.

The opinions and views expressed in this document are those held by J.P. Morgan Asset Management as at 28 April 2011, which are subject to change and are not to be taken as or construed as investment advice.

For up-to-date performance information please contact J.P. Morgan Asset Management using the numbers shown on the back of this document.

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. The level of tax benefits and liabilities will depend on individual circumstances and may change in the future.

The information in this booklet is based on our understanding of law, regulation and HM Revenue & Customs practice as at 28 April 2011.

Authorised Corporate Director's (ACD) Report

We are pleased to present the Annual Report & Accounts for JPMorgan Fund III ICVC for the year ended 31 January 2011.

Authorised Status

JPMorgan Fund III ICVC is an Open-Ended Investment Company (OEIC) with variable capital authorised, under Regulation 12 of the OEIC Regulations, by the Financial Services Authority on 16 May 2002.

The Company was launched as a non-UCITS Retail Scheme on 7 September 2002 and acts as an umbrella company comprising of two sub-funds. Its registration number is IC000174 and its registered address is Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ.

Structure & Liabilities

The assets of each sub-fund are treated as separate from those of every other sub-fund and are invested in accordance with the investment objective and investment policies applicable to that sub-fund. Details of the investment objective, the policies for achieving these objectives, the performance record and a review of the investment activities for each of the sub-funds can be found for in this report.

Each sub-fund has a specific portfolio of securities to which its assets and liabilities are attributable. So far as shareholders are concerned each sub-fund is managed as a separate entity. However, if the assets of any sub-fund were insufficient to meet the liabilities attributable to it, the shortfall may have to be met out of the assets attributable to the other sub-funds in the OEIC. In the event of this happening, the ACD would advise shareholders immediately. Each sub-fund has different classes of shares which are applicable to different types of investor.

The ACD report comprises of this report and includes for each sub-fund the Investment objective and policy, Risk profile, Fund review, Fund Outlook, Portfolio Statement and Portfolio movements.

Shareholders are not liable for the debts of the OEIC.

Changes to Funds, Prospectus and Instrument of Incorporation

During the period under review, the Prospectus and Instrument of Incorporation were amended to incorporate the following changes which came into effect from 1 September 2010:

- Shareholders can no longer request that the ACD sells any underlying securities allocated to them as a result of redemptions in specie unless the ACD specifically agrees to act on such instructions and is properly authorised by the shareholder to do so.
- The ACD has flexibility to adjust the end of an accounting period by + / - 7 days.

Management and Administration

Depositary
The Royal Bank of Scotland plc
The Broadstone
50 South Gyle Crescent
Edinburgh, EH12 9UZ
(Authorised and regulated by the Financial Services Authority)

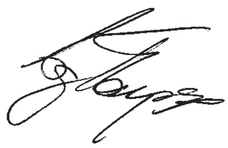
Independent Auditors
PricewaterhouseCoopers LLP
PO Box 90, Erskine House
68–73 Queen Street
Edinburgh, EH2 4NH

Registrar
JPMorgan Asset Management Marketing Limited
125 London Wall
London, EC2Y 5AJ
(Authorised and regulated by the Financial Services Authority)

Investment Adviser
JPMorgan Asset Management (UK) Limited
125 London Wall
London, EC2Y 5AJ
(Authorised and regulated by the Financial Services Authority)

Authorised Corporate Director
JPMorgan Funds Limited
3 Lochside View
Edinburgh Park
Edinburgh, EH2 9DH
(Authorised and regulated by the Financial Services Authority)

By order of the Authorised Corporate Director,



Mr R Thompson
Director
For and on behalf of JPMorgan Funds Limited
28 April 2011

Investment Adviser's Report for the year to 31 January 2011

Market review

The 12-month review period to the end of January 2011 saw strong returns for global markets, particularly equities, with the MSCI World Index up 19.9% in sterling terms (Source: FactSet, total return index).

Equity markets were boosted by strong corporate earnings and by the efforts of global governments and central banks to bring about a sustainable economic recovery. Bonds performed well in sterling terms despite sovereign debt concerns as quantitative easing and worries over deflation held down yields. The JPMorgan Global Bond Index was up 5.8% in sterling terms over the review period (Source: J.P. Morgan).

The year began with a continuation of the market rally from 2009, boosted by hopes that the pace of the global economic recovery would accelerate. However, by the end of April it had become apparent that various headwinds were restraining global growth. In the US, there was a notable lack of employment growth despite strong corporate earnings growth. In China, as exports picked up, fears grew that the economy may overheat. The Chinese authorities took action later in the year, with interest rates and the banking reserve requirement both increased five times between October 2010 and January 2011 to quell inflationary pressures.

In May, concerns over eurozone sovereign debt hit sentiment, and the highly indebted Greek economy was bailed out by the European Union ("EU") and the International Monetary Fund. The Greek crisis led to worries about the financial status of other highly indebted peripheral eurozone countries – notably Ireland, Portugal and Spain. Peripheral credit ratings were downgraded and bond spreads widened as traders sought to reduce their risk. Towards the end of the year, bond yields reached new highs and risk appetite fell across most markets as a second sovereign bailout, this time for Ireland, escalated concerns over the stability of the euro.

With investors focused on the sustainability of public borrowing, many European governments drastically cut spending and tightened fiscal policies. The cutbacks and tax increases were most severe in the peripheral eurozone countries – either as part of bailout terms in the case of Ireland and Greece, or to try and prevent the crisis from spreading. Outside of the eurozone, the new UK coalition government, elected in May 2010, also announced severe spending cutbacks and tax increases in its emergency June budget as it tried to reduce its borrowing requirements.

Despite the austerity measures, investors remained concerned about eurozone debt levels in the absence of firm policy action from EU leaders. However, the EU did act to strengthen its banks to try and reduce the likelihood of a repeat of the 2007/8 financial crisis, including the implementation of stricter lending regulations and higher liquidity thresholds. US regulators also passed financial reforms while the Basel committee on banking reform strengthened international regulation, raising bank capital reserve requirements to provide additional buffers against future loan losses.

With the US economic recovery still looking fragile, Ben Bernanke, chairman of the US Federal Reserve (the "Fed"), talked of the need for a second round of quantitative easing (widely referred to as "QE2") to try and boost asset prices and help deflation. In September and October there was a significant rally in markets as investors eagerly anticipated the QE2 announcement. Bond yields fell as investors changed allocation priorities towards equities. In November, the Fed announced a larger-than-expected quantitative easing package of USD 600 billion, which was well received by the market.

The review period drew to a positive close. In the US, the third quarter saw a clear improvement in corporate earnings momentum, while economic growth in both the third and fourth quarters was much stronger than anticipated. In Europe, the German economy picked up pace amid strong export demand, with GDP estimated to have grown 3.5% in 2010 (Source: The Economist). The emerging markets, a consensus trade in 2010, continued to thrive and provide an engine for global economic growth. China's economy grew 10.3% in 2010 (Source: The Economist).

However, although UK growth was strong for most of 2010, fourth-quarter GDP fell short of expectations as construction slumped and freezing winter weather hit retail spending. The data may support the case for the Bank of England to keep interest rates on hold, despite inflation remaining persistently above target.

Market outlook

2011 got off to a nervous start amid investor concerns about increased inflationary pressures, and escalating unrest in the Middle East and north Africa. Added to this, the devastating earthquake in Japan mid-March has caused further uncertainty. The Japanese stock market is likely to remain highly volatile while the economic impact becomes clearer, particularly given the nuclear situation. Yet, although the impact is likely to be severe in the short term, the earthquake is unlikely to derail the global recovery.

Meanwhile, rising inflation is putting pressure on central banks. The European Central Bank's president Jean-Claude Trichet said in early March that it is 'possible' the bank could raise interest rates in April. The Bank of England may also raise interest rates in the first half of 2011 as UK inflation continues to run well above target.

However, only modest interest rate increases are likely given the fragility of the recovery. In the US, the Fed has reaffirmed its commitment to keep rates close to zero until the economy is on a stronger footing. Therefore monetary policy in the developed world is likely to remain stimulative and economic growth rates could surprise in 2011, particularly if recent strong data releases are sustained.

Against this backdrop, developed equity markets continue to offer reasonable value and look attractive relative to bonds and investment grade credit. The US, European and Japanese markets are currently trading on forward price-to-earnings ratios below their historical averages. Earnings growth momentum (earnings upgrades divided by earnings downgrades) also remains healthy.

Emerging markets, meanwhile, have come under pressure in early 2011 following their strong relative performance in 2010. One of the main concerns has been inflation, with food prices and fuel costs on the increase amid strong demand and supply constraints. The situation in the Middle East has also contributed to rising risk aversion.

With emerging market equity valuations no longer as attractive and earnings momentum slowing, further volatility may lie ahead. However, the long-term arguments that favour emerging markets remain intact. These include positive demographics, ongoing urbanisation, and massive investment spending programmes, which are helping to drive rapid economic development and huge structural shifts in productivity and consumption.

JPMorgan Asset Management (UK) Limited
21 March 2011

JPM Institutional Balanced Fund

Investment objective and policy

To invest in a balanced portfolio of regulated collective investment schemes managed or operated by JPMorgan. The Fund aims to provide capital growth over the long-term. The current policy is a maximum equity exposure of 85% of the Fund, at least 10% in non-UK equities and at least 50% in sterling/euro assets. The Fund will not invest in unregulated collective investment schemes without first giving shareholders at least 60 days' notice of the intention to do so. The Fund may invest in forward transactions and financial derivative instruments for hedging purposes and for Efficient Portfolio Management. Shareholders will receive at least 60 days' notice of any proposed change of use of derivatives within the Fund and will be informed of the potential impact of the change of use on the risk profile of the Fund. Any increased use of derivatives will lead to a commensurate increase in the risks of trading derivatives.

Risk profile

This balanced Fund invests in both equities and bonds, through a portfolio of regulated collective investment schemes. The underlying funds held provide exposure to global markets, including investment in emerging markets, smaller companies and non-investment grade bonds while maintaining significant Sterling/Euro exposure.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Bond prices can fluctuate significantly depending not only on the global economic and interest rate conditions but also on the general credit market environment and the creditworthiness of the issuer.

Some of the underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

Fund review

- The Fund produced a positive return over the 12 months under review, despite a challenging second quarter in 2010.
- We remained overweight in equities versus bonds for much of the period. While bond exposure was a drag on performance in the context of rising equity markets, it provided some support in the market falls experienced in May and June 2010.
- On a regional equity basis, an underweight position in Europe ex UK was beneficial as this was the poorest performing regional equity market in sterling terms. We maintained a slight overweight position in Asia ex Japan, with the region being one of the strongest relative performers.

Fund outlook

- Economic activity is strengthening and growth in 2011 is set to exceed consensus estimates. This could lead eventually to inflation concerns and fears of central bank tightening. Equities look attractively valued relative to bonds and credit and we look for stocks to outperform over the year. Government bond valuations remain poor, based on real yields. A choppy but ultimately profitable year lies ahead, with risks in Europe, China and the US bond market.

12 month performance as at 31 January

	2011	2010	2009	2008	2007
JPM Institutional Balanced C-Class Acc	17.1%	23.3%	-20.1%	-6.9%	9.2%
Benchmark Index[A]	-	-	-	-	-

Calendar year performance

	2010	2009	2008	2007	2006
JPM Institutional Balanced C-Class Acc	14.5%	21.2%	-24.0%	2.5%	12.9%
Benchmark Index[A]	13.8%	20.5%	-20.3%	7.1%	11.0%

Fund statistics

Fund size	£36.2m
Benchmark Index[A]	CAPS Pooled Fund Balanced Median
Fund charges	Initial Nil, Annual 0.65%

Top ten holdings

Top ten holdings	%
JPM UK Strategic Equity Income 'I' (Accumulation)	14.3
JPM UK Active 350 'I' (Accumulation)	10.2
JPM UK Dynamic 'B' (Accumulation)	9.6
JPM Global (ex-UK) Bond 'I' Gross (Accumulation)	8.1
JPM UK Focus 'A' (Accumulation)	5.8
JPM Europe Recovery 'A' EUR (Income)	5.4
JPM Sterling Bond 'A' GBP (Income)	5.0
JPM US Growth Alpha Plus 'A' USD (Income)	4.9
JPM Institutional Continental Europe 'I' (Accumulation)	4.9
JPM Highbridge US Steep 'A' GBP (Income)	3.5

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.
Source: J.P. Morgan.
[A] Performance data is only available to calendar quarter dates.

Geographical breakdown

	%
United Kingdom	39.9
United States of America	14.7
Europe	12.4
Global	7.8
Asia	4.9
Japan	4.6
Liquidity	1.3
Others	13.1
Futures	0.0
Net other assets	1.3

Highest/lowest share price and distribution record

Calendar year	Highest share price	Lowest share price	Distribution per share (net)
C-Class Accumulation Shares			
2006	476.1p	412.5p	3.04p
2007	511.9p	457.1p	3.66p
2008	490.3p	324.9p	3.28p
2009	451.7p	316.2p	3.48p
2010	515.0p	429.7p	1.87p
2011[B]	520.5p	509.5p	10.44p

[B] To 31 January 2011.

Portfolio turnover rate

31.01.10	23.92%
31.01.11	120.54%

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

Net asset values and Total expense ratios

Date	Net asset value £'000	Number of shares	Net asset value per share	Total expense ratio
C-Class Accumulation Shares				
31.01.09	32,371	9,174,300	352.8p	0.63%
31.01.10	35,640	8,185,186	435.4p	0.67%
31.01.11	36,151	7,080,271	510.6p	0.56%

The Net asset value and the Net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and all other operating expenses charged to revenue over the financial year, expressed as a percentage of the average daily net asset values over the same period. The TER calculation includes a synthetic adjustment for the year in respect of investments in underlying funds.

Portfolio statement

As at 31 January 2011

Investment	Holding	Market value £'000	Total net assets %
United Kingdom – 39.9% (43.4%)			
JPM UK Active 350 'I' (Accumulation)	1,738,348	3,698	10.2
JPM UK Dynamic 'B' (Accumulation)	3,304,665	3,460	9.6
JPM UK Focus 'A' (Accumulation)	3,776,241	2,095	5.8
JPM UK Strategic Equity Income 'I' (Accumulation)	4,486,405	5,168	14.3
United States of America – 14.7% (11.2%)			
JPM America Large Cap 'A' USD (Income)	184,387	1,241	3.4
JPM Highbridge US Steep 'A' GBP (Income)	117,581	1,253	3.5
JPM US 130/30 'A' USD (Income)	14,344	1,057	2.9
JPM US Growth Alpha Plus 'A' USD (Income)	220,484	1,789	4.9
Europe – 12.4% (9.6%)			
JPM Europe Dynamic (ex-UK) 'B' (Accumulation)	761,292	751	2.1
JPM Europe Recovery 'A' EUR (Income)	24,318	1,953	5.4
JPM Institutional Continental Europe 'I' (Accumulation)	519,412	1,778	4.9
Global – 7.8% (13.2%)			
JPM Emerging Markets Alpha Plus 'A' GBP (Income)	147,376	1,089	3.0
JPM Emerging Markets 'I' (Accumulation)	154,786	888	2.5
JPM Global Equity Income 'A' (Accumulation)	1,701,225	822	2.3
Asia – 4.9% (4.5%)			
JPM Asia Alpha Plus 'A' USD (Income)	104,233	607	1.7
JPM Asia Equity 'A' USD (Accumulation)	10,883	362	1.0
JPM Institutional Asia 'I' (Accumulation)	301,826	798	2.2
Japan – 4.6% (2.6%)			
JPM Japan Alpha Plus 'A' USD (Income)	124,175	1,055	2.9
JPM Japan Strategic Value 'A' GBP (Income)	11,860	612	1.7
Liquidity – 1.3% (4.0%)			
JPM Sterling Liquidity 'X' (Income)	469,535	470	1.3
Others – 13.1% (8.5%)			
JPM Global (ex-UK) Bond 'I' Gross (Accumulation)	2,671,015	2,917	8.1
JPM Sterling Bond 'A' GBP (Income)	2,454,779	1,817	5.0
Futures – 0.0% (0.1%)			
DJ Euro Stoxx 50 Index Futures Mar 2011	(10)	(10)	–
Euro Bund Index Futures Mar 2011	(5)	11	–
FTSE 100 Index Futures Mar 2011	(13)	1	–
Hang Seng Index Futures Feb 2011	7	(13)	–
Long Gilt Futures Mar 2011	6	(19)	(0.1)
S&P 500 E-Mini Futures Mar 2011	(4)	(5)	–
Topix Index Futures Mar 2011	4	9	–
US 10 Year Note Futures Mar 2011	(12)	23	0.1
Investment assets (including investment liabilities)		35,677	98.7
Net other assets		474	1.3
Net assets		36,151	100.0

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

All Fund holdings are deemed to be investments in related parties of the ACD.

The comparative percentage figures in brackets are at 31 January 2010.

Portfolio movements

For the year ended 31 January 2011

	£'000
Total of all purchases for the year	**22,721**

Major purchases	Cost
JPM Sterling Bond 'A' GBP (Income)	5,275
JPM Europe Recovery 'A' EUR (Income)	3,126
JPM Global (ex-UK) Bond 'I' Gross (Accumulation)	1,697
JPM US 130/30 'A' USD (Income)	1,563
JPM US Growth Alpha Plus 'A' USD (Income)	1,548
JPM America Large Cap 'A' USD (Income)	1,068
JPM Highbridge US Steep 'A' GBP (Income)	1,060
JPM Japan 50 Equity 'A' JPY (Income)	1,052
JPM Japan Alpha Plus 'A' USD (Income)	1,011
JPM Emerging Markets Alpha Plus 'A' GBP (Income)	1,005
JPM Institutional Continental Europe 'I' (Accumulation)	938
JPM Japan Strategic Value 'A' GBP (Income)	857
JPM Asia Alpha Plus 'A' USD (Income)	781
JPM Asia Equity 'A' USD (Accumulation)	741
JPM Sterling Liquidity 'X' (Income)	470
JPM UK Strategic Equity Income 'I' (Accumulation)	226
JPM UK Active 350 'I' (Accumulation)	111
JPM UK Dynamic 'B' (Accumulation)	63
JPM Europe Dynamic (ex-UK) 'B' (Accumulation)	34
JPM UK Focus 'A' (Accumulation)	32

	£'000
Total of all sales for the year	**26,599**

Sales	Proceeds
JPM Sterling Bond 'A' GBP (Income)	5,275
JPM US 'I' (Accumulation)	3,681
JPM Cautious Total Return 'A' (Accumulation)	2,139
JPM UK Strategic Equity Income 'I' (Accumulation)	1,959
JPM Europe Recovery 'A' EUR (Income)	1,588
JPM Sterling Liquidity 'X' (Income)	1,414
JPM Europe Dynamic (ex-UK) 'B' (Accumulation)	1,233
JPM Emerging Markets 'I' (Accumulation)	1,214
JPM Institutional Asia 'I' (Accumulation)	1,090
JPM Institutional Japan 'I' (Accumulation)	1,023
JPM Japan 50 Equity 'A' JPY (Income)	1,006
JPM Institutional Continental Europe 'I' (Accumulation)	816
JPM UK Dynamic 'B' (Accumulation)	800
JPM UK Focus 'A' (Accumulation)	692
JPM UK Active 350 'I' (Accumulation)	638
JPM US 130/30 'A' USD (Income)	594
JPM US Smaller Companies 'I' (Accumulation)	494
JPM Asia Equity 'A' USD (Accumulation)	375
JPM Asia Alpha Plus 'A' USD (Income)	292
JPM Japan Strategic Value 'A' GBP (Income)	276

Financial statements

Statement of total return

For the year ended 31 January

	£'000	2011 £'000	£'000	2010 £'000
Income				
Net capital gains (Note 1)		5,049		6,239
Revenue (Note 2)	1,041		1,281	
Expenses (Note 3)	(220)		(222)	
Net revenue before taxation	821		1,059	
Taxation (Note 4)	(74)		(124)	
Net revenue after taxation		747		935
Total return before distributions		**5,796**		**7,174**
Finance costs: Distributions (Note 5)		(747)		(160)
Change in net assets attributable to shareholders from investment activities		**5,049**		**7,014**

Statement of change in net assets attributable to shareholders

For the year ended 31 January

	£'000	2011 £'000	£'000	2010 £'000
Opening net assets attributable to shareholders		**35,640**		**32,371**
Amounts receivable on issue of shares	281		756	
Amounts payable on cancellation of shares	(5,557)		(4,651)	
		(5,276)		(3,895)
Change in net assets attributable to shareholders from investment activities (see above)		5,049		7,014
Retained distributions on accumulation shares		739		153
Stamp duty reserve tax		(1)		(3)
Closing net assets attributable to shareholders		**36,151**		**35,640**

Balance sheet

As at 31 January

	£'000	2011 £'000	£'000	2010 £'000
ASSETS				
Investment assets		35,724		34,617
Debtors (Note 7)	355		2,356	
Cash and bank balances (Note 8)	191		278	
Total other assets		**546**		**2,634**
Total assets		**36,270**		**37,251**
LIABILITIES				
Investment liabilities		(47)		(24)
Creditors (Note 9)	(72)		(1,587)	
Total other liabilities		**(72)**		**(1,587)**
Total liabilities		**(119)**		**(1,611)**
Net assets attributable to shareholders		**36,151**		**35,640**

The notes to these financial statements are shown on pages 9 to 10.

Notes to the financial statements for the year ended 31 January

1. Net capital gains

	2011 £'000	2010 £'000
Capital management fee rebates net of tax	27	26
Currency gains/(losses)	31	(10)
Derivative contracts	36	(313)
Non-derivative securities	4,966	6,541
Transaction charges	(11)	(5)
Net capital gains	5,049	6,239

2. Revenue

	2011 £'000	2010 £'000
Distributions from authorised ICVCs	631	861
Income from overseas equity investments	105	190
Interest on amounts held with futures clearing houses and brokers	1	-
Interest on bank and term deposits	1	1
Management fee rebates	303	229
Total revenue	1,041	1,281

3. Expenses

	2011 £'000	2010 £'000
Payable to the ACD or associate of the ACD:		
ACD fee	220	222
Expense rebate	(5)	(24)
Safe custody fee	1	1
	216	199
Payable to other related parties and third parties:		
Audit fee	4	11
Price publication	2	1
Printing and mailing costs	(3)	9
Professional fees	1	2
	4	23
Total expenses	220	222

4. Taxation

	2011 £'000	2010 £'000
a) Analysis of charge in the year		
Corporation tax at 20%	74	124
Current year tax charge (Note 4b)	74	124

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

	2011 £'000	2010 £'000
Net revenue before taxation	821	1,059
Corporation tax at 20%	164	212
Effects of:		
Dividends not subject to corporation tax	(90)	(88)
	(90)	(88)
Current year tax charge (Note 4a)	74	124

5. Finance costs

Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

	2011 £'000	2010 £'000
Final distribution	739	153
Add: Amounts payable on cancellation of shares	9	7
Deduct: Amounts receivable on issue of shares	(1)	-
Total finance costs	747	160

Details of the distribution per share are set out on page 11.

6. Movement between net revenue after taxation and distributions

	2011 £'000	2010 £'000
Net revenue after taxation	747	935
Add: Undistributed revenue brought forward	-	1
Deduct: Accumulation dividends not distributed	-	(776)
	747	160

7. Debtors

	2011 £'000	2010 £'000
Accrued income	32	24
Due from brokers for sales awaiting settlement	293	2,332
Due from the ACD for shares created	30	-
Total debtors	355	2,356

8. Cash and bank balances

	2011 £'000	2010 £'000
Amounts held at futures clearing houses and brokers	163	132
Cash and bank balances	28	146
Total cash and bank balances	191	278

9. Creditors

	2011 £'000	2010 £'000
Accrued expenses	21	33
Corporation tax payable	51	55
Due to brokers for purchases awaiting settlement	-	1,449
Due to the ACD for shares cancelled	-	50
Total creditors	72	1,587

10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £9,777 (31.01.10: £44,223). Details of related party transactions are given under note 12 on page 22.

Investments considered to be related parties have been identified in the portfolio statement and the revenue from these investments was £736,000 (31.01.10: £1,051,000).

The following parties held a material interest in the fund at the year end date:

– Scottish Widows Unit Funds Limited 61.86% (31.01.10: 62.61%)

– Scottish Widows plc 16.44% (31.01.10: 17.21%)

12. Financial instruments

Currency exposures

At the year end date, the majority of the fund's financial assets and liabilities are denominated in Sterling. As a result, the fund has no material exposure to currency movements.

Interest rate risk

At the year end date, 0.5% (31.01.10: 0.8%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the aggregated notes, pages 22 to 23.

13. Share classes

The fund currently has one share class; Class C shares. The Authorised Corporate Director's (ACD) fee is shown below.

	ACD fee
Class C shares:	0.65%

The expenses are capped at 0.65%. All expenses in excess of this are rebated by the ACD and disclosed in note 3.

The Net asset value, the Net asset value per share and the number of shares are shown on page 5.

14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management.

Further information on the derivative risks can be found in the aggregated notes to the financial statements on page 23.

Distribution table

Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2010

Group 2 – Shares purchased 1 February 2010 to 31 January 2011

	Gross revenue	Tax at 10%	Net revenue	Equalisation	Distribution paid 16.03.11	Distribution paid 16.03.10
C-Class Accumulation Shares						
Group 1	11.600000	1.160000	10.440000	–	10.440000	1.870000
Group 2	3.362053	0.336205	3.025848	7.414152	10.440000	1.870000

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of revenue included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

JPM Portfolio Fund

Investment objective and policy

To invest in a portfolio of regulated collective investment schemes operated or managed by JPMorgan. The Fund aims to provide capital growth over the long-term. The Fund will not invest in unregulated collective schemes without first giving Shareholders at least 60 days' notice of the intention to do so. The Fund may invest in forward transactions and financial derivative instruments for hedging purposes and for Efficient Portfolio Management. Shareholders will receive at least 60 days' notice of any proposed change of use of derivatives within the Fund and will be informed of the potential impact of the change of use on the risk profile of the Fund. Any increased use of derivatives will lead to a commensurate increase in the risks of trading derivatives.

Risk profile

This Fund is designed to give broad market exposure to the UK and global stock markets (which may include investment in emerging markets and smaller companies) through a portfolio of regulated collective investment schemes.

Equity investment is subject to specific risks relating to the performance of the individual companies held and the market's perception of their performance. Equities are also subject to systematic risks such as general economic conditions, inflation, interest rates, foreign exchange rates and industry sector risks. In general terms, equities tend to be more volatile than bonds.

Some of the underlying assets of the Fund are denominated in currencies other than Sterling and are not hedged back to Sterling. Investors will therefore be exposed to the currency risk of fluctuations between Sterling and the currency denomination of the underlying assets.

Fund review

- Although the 12 months under review were a volatile period for equity markets, the Fund produced a positive return and outperformed its benchmark.
- On a regional basis, holding an underweight position in Europe for much of the period was beneficial, with poor regional performance resulting from ongoing sovereign debt concerns. Meanwhile, we added to our existing overweight position in the UK towards the end of the period as the region proved profitable. We held an underweight position in Asia ex Japan in the first quarter of 2010, but then moved to an overweight position, which benefited returns.
- Some of our regional equity fund holdings struggled against their benchmarks, particularly in the US. In contrast, our UK equity funds generally performed ahead of the FTSE All-Share index.

Fund outlook

- Economic activity is strengthening and growth in 2011 is set to exceed consensus estimates. This could lead eventually to inflation concerns and fears of central bank tightening. Equities look attractively valued relative to bonds, while government bond valuations remain poor based on real yields. A choppy but ultimately profitable year lies ahead, with risks in Europe, China and the US bond market.

12 month performance as at 31 January

	2011	2010	2009	2008	2007
JPM Portfolio A-Class Acc	**20.2%**	**25.0%**	**-21.5%**	**-7.1%**	**6.8%**
Benchmark Index	19.2%	29.6%	-23.4%	-1.8%	9.3%

Fund statistics

Fund size	**£51.4m**
Benchmark Index	**50% FTSE All-Share Net/ 50% FTSE World ex-UK Net**
Fund charges	**Initial 5.50%, Annual up to 1.50%**

Top ten holdings

	%
JPM UK Active 350 'A' (Accumulation)	13.1
JPM UK Dynamic 'A' (Accumulation)	12.4
JPM UK Focus 'A' (Accumulation)	12.4
JPM UK Strategic Equity Income 'A' (Accumulation)	12.2
JPM US Select Equity 'A' USD (Income)	7.8
JPM Highbridge US Steep 'A' GBP (Income)	5.2
JPM America Large Cap 'A' USD (Income)	5.1
JPM US Growth Alpha Plus 'A' USD (Income)	4.9
JPM Europe Recovery 'A' EUR (Income)	4.4
JPM US 130/30 'A' USD (Income)	4.3

You should remember that past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. For specific risks, please read the Simplified Prospectus.

All performance returns are calculated using the quoted price of the accumulation shares. Performance returns are in Sterling.
Source: J.P. Morgan.

Geographical breakdown

	%
United Kingdom	50.1
United States of America	27.3
Europe	9.0
Asia	5.7
Japan	3.5
Global	3.0
Futures	0.2
Net other assets	1.2

Highest/lowest share price and distribution record

Calendar year	Highest share price	Lowest share price	Distribution per share (net)
A-Class Accumulation Shares			
2006	128.3p	111.1p	0.00p
2007	139.4p	122.1p	0.00p
2008	133.1p	83.82p	0.00p
2009	121.8p	79.41p	0.00p
2010	141.4p	113.8p	0.00p
2011[A]	143.0p	139.8p	1.00p

[A] To 31 January 2011.

Portfolio turnover rate

31.01.10	69.21%
31.01.11	87.70%

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

Net asset values and Total expense ratios

Date	Net asset value £'000	Number of shares	Net asset value per share	Total expense ratio
A-Class Accumulation Shares				
31.01.09	39,083	41,895,421	93.29p	1.85%
31.01.10	45,920	39,370,677	116.6p	1.97%
31.01.11	51,361	36,625,735	140.2p	1.61%

The Net asset value and the Net asset value per income share are shown ex-dividend.

The total expense ratio (TER) takes into account the ACD fee and all other operating expenses charged to revenue over the financial year, expressed as a percentage of the average daily net asset values over the same period. The TER calculation includes a synthetic adjustment for the year in respect of investments in underlying funds.

Portfolio statement

As at 31 January 2011

Investment	Holding	Market value £'000	Total net assets %
United Kingdom – 50.1% (50.5%)			
JPM UK Active 350 'A' (Accumulation)	3,391,841	6,750	13.1
JPM UK Dynamic 'A' (Accumulation)	6,213,667	6,369	12.4
JPM UK Focus 'A' (Accumulation)	11,459,000	6,359	12.4
JPM UK Strategic Equity Income 'A' (Accumulation)	5,868,276	6,273	12.2
United States of America – 27.3% (26.6%)			
JPM America Large Cap 'A' USD (Income)	387,991	2,610	5.1
JPM Highbridge US Steep 'A' GBP (Income)	249,429	2,659	5.2
JPM US 130/30 'A' USD (Income)	29,955	2,208	4.3
JPM US Growth Alpha Plus 'A' USD (Income)	308,137	2,500	4.9
JPM US Select Equity 'A' USD (Income)	54,849	4,013	7.8
Europe – 9.0% (10.6%)			
JPM Europe Recovery 'A' EUR (Income)	28,211	2,265	4.4
JPM German Equity 'A' EUR (Income)	180,343	1,314	2.5
JPM Institutional Continental Europe 'I' (Accumulation)	313,400	1,072	2.1
Asia – 5.7% (7.1%)			
JPM Asia Alpha Plus 'A' USD (Income)	289,505	1,687	3.3
JPM Asia Pacific Ex-Japan Equity 'A' (Accumulation)	37,543	1,249	2.4
Japan – 3.5% (3.8%)			
JPM Japan Alpha Plus 'A' USD (Income)	89,786	763	1.5
JPM Japan Strategic Value 'A' GBP (Income)	20,488	1,058	2.0
Global – 3.0% (1.1%)			
JPM Emerging Markets 'A' GBP (Income)	14,476	489	1.0
JPM Emerging Markets Alpha Plus 'A' GBP (Income)	139,479	1,031	2.0
Futures – 0.2% (0.0%)			
DJ Euro Stoxx 50 Index Futures Mar 2011	40	(6)	–
FTSE 100 Index Futures Mar 2011	(34)	34	0.1
S&P 500 E-Mini Futures Mar 2011	11	13	–
Topix Index Futures Mar 2011	15	35	0.1
Investment assets (including investment liabilities)		**50,745**	**98.8**
Net other assets		**616**	**1.2**
Net assets		**51,361**	**100.0**

Unless otherwise stated the above securities are admitted to official stock exchange listings or trade on a regulated market.

All holdings are deemed to be investments in related parties of the ACD.

The comparative percentage figures in brackets are at 31 January 2010.

Portfolio movements

For the year ended 31 January 2011

	£'000
Total of all purchases for the year	21,673

Purchases	Cost
JPM Europe Recovery 'A' EUR (Income)	2,409
JPM US Growth Alpha Plus 'A' USD (Income)	2,283
JPM America Large Cap 'A' USD (Income)	2,210
JPM Highbridge US Steep 'A' GBP (Income)	2,183
JPM US 130/30 'A' USD (Income)	2,131
JPM Asia Equity 'A' USD (Accumulation)	1,563
JPM Asia Alpha Plus 'A' USD (Income)	1,465
JPM Japan 50 Equity 'A' JPY (Income)	1,376
JPM Japan Alpha Plus 'A' USD (Income)	1,220
JPM Euroland Select Equity Fund 'A' EUR (Income)	1,141
JPM Institutional Continental Europe 'I' (Accumulation)	1,022
JPM Emerging Markets Alpha Plus 'A' GBP (Income)	980
JPM Korea Equity 'A' USD (Income)	686
JPM Emerging Markets Equity Fund 'A' (Distribution)	479
JPM UK Strategic Equity Income 'A' (Accumulation)	229
JPM UK Active 350 'A' (Accumulation)	139
JPM UK Focus 'A' (Accumulation)	87
JPM UK Dynamic 'A' (Accumulation)	70

	£'000
Total of all sales for the year	24,934

Major sales	Proceeds
JPM US Strategic Value 'A' (Income)	3,682
JPM US 'A' (Accumulation)	2,172
JPM US Strategic Growth 'A' (Income)	2,157
JPM Asia 'A' (Accumulation)	1,983
JPM Europe Recovery 'A' EUR (Income)	1,805
JPM German Equity 'A' EUR (Income)	1,472
JPM Japan 50 Equity 'A' JPY (Income)	1,318
JPM US Select Equity 'A' USD (Income)	1,187
JPM Euroland Select Equity Fund 'A' EUR (Income)	1,127
JPM Asia Equity 'A' USD (Accumulation)	1,075
JPM Europe Dynamic Mega Cap 'A' (Income)	1,025
JPM Greater China 'A' (Income)	906
JPM Japan Strategic Value 'A' GBP (Income)	897
JPM Korea Equity 'A' USD (Income)	759
JPM UK Dynamic 'A' (Accumulation)	691
JPM UK Strategic Equity Income 'A' (Accumulation)	648
JPM Emerging Markets Equity 'A' (Distribution)	577
JPM UK Focus 'A' (Accumulation)	516
JPM Japan Alpha Plus 'A' USD (Income)	484
JPM Euroland Select Equity 'A' (Accumulation)	228

Financial statements

Statement of total return

For the year ended 31 January

		2011		2010
	£'000	£'000	£'000	£'000
Income				
Net capital gains (Note 1)		8,612		8,769
Revenue (Note 2)	1,128		1,436	
Expenses (Note 3)	(775)		(707)	
Net revenue before taxation	353		729	
Taxation (Note 4)	(4)		(32)	
Net revenue after taxation		349		697
Total return before distributions		**8,961**		**9,466**
Finance costs: Distributions (Note 5)		(366)		-
Change in net assets attributable to shareholders from investment activities		**8,595**		**9,466**

Statement of change in net assets attributable to shareholders

For the year ended 31 January

		2011		2010
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		**45,920**		**39,083**
Amounts receivable on issue of shares	211		249	
Amounts payable on cancellation of shares	(3,728)		(2,875)	
		(3,517)		(2,626)
Change in net assets attributable to shareholders from investment activities (see above)		8,595		9,466
Retained distributions on accumulation shares		366		-
Stamp duty reserve tax		(3)		(3)
Closing net assets attributable to shareholders		**51,361**		**45,920**

Balance sheet

As at 31 January

		2011		2010
	£'000	£'000	£'000	£'000
ASSETS				
Investment assets		50,751		45,778
Debtors (Note 7)	279		53	
Cash and bank balances (Note 8)	526		278	
Total other assets		**805**		**331**
Total assets		**51,556**		**46,109**
LIABILITIES				
Investment liabilities		(6)		-
Creditors (Note 9)	(189)		(189)	
Total other liabilities		**(189)**		**(189)**
Total liabilities		**(195)**		**(189)**
Net assets attributable to shareholders		**51,361**		**45,920**

The notes to these financial statements are shown on pages 17 to 18.

Notes to the financial statements for the year ended 31 January

1. Net capital gains

	2011 £'000	2010 £'000
Capital management fee rebate	93	65
Currency gains	44	34
Derivative contracts	289	-
Non-derivative securities	8,192	8,673
Transaction charges	(6)	(3)
Net capital gains	8,612	8,769

2. Revenue

	2011 £'000	2010 £'000
Distributions from authorised ICVCs	493	782
Income from overseas equity investments	56	124
Interest on bank and term deposits	1	7
Management fee rebates	578	523
Total revenue	1,128	1,436

3. Expenses

	2011 £'000	2010 £'000
Payable to the ACD or associate of the ACD:		
ACD fee	732	637
Registrar fee	29	25
Safe custody fee	2	(3)
	763	659
Payable to the Depositary or associate of the Depositary:		
Depositary fee	18	17
Payable to other related parties and third parties:		
Audit fee	5	11
Price publication	2	1
Printing and mailing costs	(14)	27
Professional fees	1	2
VAT recovered*	-	(10)
	(6)	31
Total expenses	775	707

* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

4. Taxation

	2011 £'000	2010 £'000
a) Analysis of charge in the year		
Irrecoverable income tax on unfranked distributions	4	32
Current year tax charge (Note 4b)	4	32

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

	2011 £'000	2010 £'000
Net revenue before taxation	353	729
Corporation tax at 20%	71	146
Effects of:		
Dividends not subject to corporation tax	(106)	(117)
Excess expenses for which no relief taken	17	-
Irrecoverable income tax on unfranked distributions	4	32
Taxable income not reflected in net income	18	-
Utilisation of excess expenses brought forward	-	(29)
	(67)	(114)
Current year tax charge (Note 4a)	4	32

No deferred tax asset has been recognised in the financial statements. At the year end date, the fund had a deferred tax asset of £94,830 (31.01.10: £78,123) in relation to £474,150 (31.01.10: £390,615) of excess management expenses which would only be utilised to reduce the tax charge if the fund had an excess of unfranked income over expenses in a future period. There is no excess of unfranked income expected in the future.

5. Finance costs

Distributions

The distributions take account of amounts receivable on the issue of shares and amounts payable on the cancellation of shares and comprise:

	2011 £'000	2010 £'000
Final dividend distribution	366	-
Total finance costs	366	-

Details of the distribution per share are set out on page 19.

6. Movement between net revenue after taxation and distributions

	2011 £'000	2010 £'000
Net revenue after taxation	349	697
Add: Net expense payable from capital	-	36
Add: Tax relief on capital fees	18	-
Deduct: Accumulation dividends not distributed	-	(733)
Deduct: Undistributed revenue carried forward	(1)	-
	366	-

Notes to the financial statements – continued

7. Debtors

	2011 £'000	2010 £'000
Accrued income	57	53
Due from brokers for sales awaiting settlement	208	–
Due from the ACD for shares created	14	–
Total debtors	279	53

8. Cash and bank balances

	2011 £'000	2010 £'000
Amounts held at futures clearing houses and brokers	196	–
Cash and bank balances	330	278
Total cash and bank balances	526	278

9. Creditors

	2011 £'000	2010 £'000
Accrued expenses	73	94
Due to the ACD for shares cancelled	116	95
Total creditors	189	189

10. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

11. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

The balance due to the ACD and their associates at the year end date in respect of related party transactions was £167,595 (31.01.10: £101,560). Details of related party transactions are given under note 12 on page 22.

Investments considered to be related parties have been identified in the portfolio statement and the revenue from these investments was £549,000 (31.01.10: £906,000).

The following party held a material interest in the fund at the year end date:
– FNZ (UK) Nominees Ltd 18.54% (31.01.10: 17.59%)

12. Financial instruments

Currency exposures

A substantial proportion of the net assets of the fund are denominated in currencies other than sterling, with the effect that the Balance sheet and total return can be significantly affected by currency movements.

	Net foreign currency assets		
Currency	Total £'000	Monetary exposures £'000	Non-monetary exposures £'000
31.01.11			
US Dollar	15,045	2	15,043
Euro	3,828	255	3,573
Japanese Yen	(2)	(37)	35
31.01.10			
US Dollar	12,136	–	12,136
Euro	4,841	–	4,841

Interest rate risk

At the year end date, 1.0% (31.01.10: 0.6%) of the fund's net assets by value were interest bearing.

For consideration of other risks including liquidity, pricing and credit risk, please refer to the aggregated notes, pages 22 to 23.

13. Share classes

The fund currently has one share class; Class A shares. The Authorised Corporate Director's (ACD) fee is shown below.

	ACD fee
Class A shares:	1.50%

The Net asset value, the Net asset value per share and the number of shares are shown on page 13.

14. Derivatives

The fund enters into derivative transactions in the form of futures for the purpose of efficient portfolio management.

Further information on the derivative risks can be found in the aggregated notes to the financial statements on page 23.

Distribution table

Final distribution in pence per share

Group 1 – Shares purchased prior to 1 February 2010

Group 2 – Shares purchased 1 February 2010 to 31 January 2011

	Gross revenue	Tax at 10%	Net revenue	Equalisation	Distribution payable 30.04.11	Distribution paid 30.04.10
C-Class Accumulation Shares						
Group 1	1.111111	0.111111	1.000000	-	1.000000	0.000000
Group 2	1.099670	0.109967	0.989703	0.010297	1.000000	0.000000

Equalisation applies only to shares purchased during the distribution period (group 2 shares). It is the average amount of income included in the purchase price of all group 2 shares and is refunded to holders of these shares as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of shares for capital gains tax purposes.

Aggregated Company financial statements

Aggregated statement of total return

For the year ended 31 January

	£'000	2011 £'000	£'000	2010 £'000
Income				
Net capital gains (Note 2)		13,661		15,008
Revenue (Note 3)	2,169		2,717	
Expenses (Note 4)	(995)		(929)	
Net revenue before taxation	1,174		1,788	
Taxation (Note 5)	(78)		(156)	
Net revenue after taxation		1,096		1,632
Total return before distributions		**14,757**		**16,640**
Finance costs: Distributions (Note 6)		(1,113)		(160)
Change in net assets attributable to shareholders from investment activities		**13,644**		**16,480**

Aggregated statement of change in net assets attributable to shareholders

For the year ended 31 January

	£'000	2011 £'000	£'000	2010 £'000
Opening net assets attributable to shareholders		**81,560**		**71,454**
Amounts receivable on issue of shares	492		1,005	
Amounts payable on cancellation of shares	(9,285)		(7,526)	
		(8,793)		(6,521)
Change in net assets attributable to shareholders from investment activities (see above)		13,644		16,480
Retained distributions on accumulation shares		1,105		153
Stamp duty reserve tax		(4)		(6)
Closing net assets attributable to shareholders		**87,512**		**81,560**

Aggregated balance sheet

As at 31 January

	£'000	2011 £'000	£'000	2010 £'000
ASSETS				
Investment assets		86,475		80,395
Debtors (Note 8)	634		2,409	
Cash and bank balances (Note 9)	717		556	
Total other assets		**1,351**		**2,965**
Total assets		**87,826**		**83,360**
LIABILITIES				
Investment liabilities		(53)		(24)
Creditors (Note 10)	(261)		(1,776)	
Total other liabilities		**(261)**		**(1,776)**
Total liabilities		**(314)**		**(1,800)**
Net assets attributable to shareholders		**87,512**		**81,560**

The notes to these financial statements are shown on pages 21 to 23.

This report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook and was approved by the Authorised Corporate Director on 28 April 2011.

Mr R Thompson
Director
For and on behalf of JPMorgan Funds Limited
28 April 2011

Notes to the Aggregated Company financial statements for the year ended 31 January

1. Accounting policies

(a) The financial statements have been prepared under the historical cost basis as modified by the revaluation of investments and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in October 2010. The comparative figures were prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by the IMA in November 2008 and no restatement has been necessary. Under the new SORP there is no longer a requirement to disclose the Portfolio turnover rate figure. However, this figure is still being disclosed to provide shareholders with additional information.

(b) The aggregate accounts represent the sum of the individual sub-funds within the Company. Further analysis of the distribution and net asset position can be found within the financial statements of the individual sub-funds.

(c) Dividends on equities and other Collective Investment Schemes are recognised when the security goes ex-dividend. Accumulation distributions from shares held in other Collective Investment Schemes are reflected as revenue of the respective fund and form part of the distribution, and equalisation on distributions received from other Collective Investment Schemes is deducted from the cost of the investment. Interest on deposits and other revenue is accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place. Where the Fund is required to take up all of the shares underwritten, the commission received is treated as a deduction from the cost of the shares taken up. Where the Fund is required to take up a proportion of the shares underwritten, the same proportion of the commission received is treated as a deduction from the cost of the shares taken up and the balance is taken to revenue.

(d) Management fee rebates received from underlying funds are recognised as revenue or capital in the same way as the underlying investments account for their management fee, and form part of the distribution where the underlying fund pays it's management fee from revenue.

(e) All expenses are charged to revenue apart from costs relating to the purchase and sale of investments, which are charged to capital. Stamp duty reserve tax and expenses relating to the purchase and sale of investments are charged directly to the capital of the Fund.

(f) Revenue and non share class specific expenses are allocated each day pro rata to the value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class.

(g) The charge for taxation is based at the current rate on taxable revenue for the period less allowable expenses. UK dividend income is disclosed net of any related tax credit. Overseas dividends are disclosed gross of any foreign tax suffered, with the tax element being separately disclosed in the taxation note.

(h) The Funds are not more than 60% invested in qualifying investments (as defined by SI2006/964) and where applicable will pay a dividend distribution.

(i) The income available for distribution for each sub-fund is the total revenue earned by the Fund, less deductible expenses and taxation charged to revenue. This income was distributed on 16 March 2011 for Institutional Balanced Fund and will be distributed on 30 April 2011 for Portfolio Fund.

(j) Investments in Collective Investment Schemes managed by the ACD have been valued at the quoted price as at 12 noon on 31 January 2011.

(k) All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the date of such transactions. The unrealised asset or liability position of each forward foreign currency contract held at the year end is determined with reference to the spot currency rate and the expected interest rate return over the currency contract to settlement date. Foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate at 12 noon on 31 January 2011.

2. Net capital gains

	2011 £'000	2010 £'000
Capital management fee rebates net of tax	120	91
Currency gains	75	24
Derivative contracts	325	(313)
Non-derivative securities	13,158	15,214
Transaction charges	(17)	(8)
Net capital gains	13,661	15,008

3. Revenue

	2011 £'000	2010 £'000
Distributions from authorised ICVCs	1,124	1,643
Distributions from overseas equity investments	161	314
Interest on amounts held with futures clearing houses and brokers	1	-
Interest on bank and term deposits	2	8
Management fee rebates	881	752
Total revenue	2,169	2,717

4. Expenses

	2011 £'000	2010 £'000
Payable to the ACD or associate of the ACD:		
ACD fee	952	859
Expense rebate	(5)	(24)
Registrar fee	29	25
Safe custody fee	3	(2)
	979	858
Payable to the Depositary or associate of the Depositary:		
Depositary fee	18	17
Payable to other related parties and third parties:		
Audit fee	9	22
Price publication	4	2
Printing and mailing costs	(17)	36
Professional fees	2	4
VAT recovered*	-	(10)
	(2)	54
Total expenses	995	929

* VAT recovered includes amounts arising as a result of changes to the policy of HM Revenue & Customs ("HMRC") concerning VAT exemption for the management of authorised collective investment schemes (UK Law, items 9 and 10 of group 5, Schedule 9, to the VAT Act 1994) where these services have historically been treated as subject to VAT in the UK. These changes are in accordance with the Business Brief 07/06 (item 3) from HMRC in light of the European Court of Justice judgment in case C-196/04, Abbey National and Inscape Investment Fund.

Notes to the Aggregated Company financial statements – continued

5. Taxation

	2011 £'000	2010 £'000
a) Analysis of charge in the year		
Corporation tax at 20%	74	124
Irrecoverable income tax on unfranked distributions	4	32
Current year tax charge (Note 5b)	78	156

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an Open-Ended Investment Company (OEIC) (20%). The differences are explained below.

	2011	2010
Net revenue before taxation	1,174	1,788
Corporation tax at 20%	235	358
Effects of:		
Excess expenses for which no relief taken	17	–
Income not subject to corporation tax	(196)	(205)
Irrecoverable income tax on unfranked distributions	4	32
Taxable income not reflected in net income	18	–
Utilisation of excess expenses brought forward	–	(29)
	(157)	(202)
Current year tax charge (Note 5a)	78	156

6. Finance costs

Distributions

The distributions take account of income on the issue and cancellation of shares and comprise:

	2011 £'000	2010 £'000
Final dividend distribution	1,105	153
Add: Amounts payable on cancellation of shares	9	7
Deduct: Amounts receivable on issue of shares	(1)	–
Total finance costs	1,113	160

7. Movement between net revenue after taxation and distributions

	2011 £'000	2010 £'000
Net revenue after taxation	1,096	1,632
Add: Net expense payable from capital	–	36
Add: Tax relief on capital fees	18	–
Add: Undistributed income brought forward	–	1
Deduct: Accumulation dividends not distributed	–	(1,509)
Deduct: Undistributed income carried forward	(1)	–
	1,113	160

8. Debtors

	2011 £'000	2010 £'000
Accrued income	89	77
Due from brokers for sales awaiting settlement	501	2,332
Due from the ACD for shares created	44	–
Total debtors	634	2,409

9. Cash and bank balances

	2011 £'000	2010 £'000
Amounts held at futures clearing houses and brokers	359	144
Cash and bank balances	358	412
Total cash and bank balances	717	556

10. Creditors

	2011 £'000	2010 £'000
Accrued expenses	94	127
Corporation tax payable	51	55
Due to brokers for purchases awaiting settlement	–	1,449
Due to the ACD for shares cancelled	116	145
Total creditors	261	1,776

11. Portfolio transaction costs

No portfolio transactions costs were incurred during the current or prior year.

12. Related party transactions

JPMorgan Funds Limited, as Authorised Corporate Director ("ACD"), is a related party, and acts as principal in respect of all transactions of shares in the Company. The aggregate monies received through issue, and paid on cancellation, are disclosed in the Statement of Change in Net Assets Attributable to Shareholders.

ACD fees and fixed expenses paid to JPMorgan Funds Limited and their associates are shown in Note 4 and details of shares issued and cancelled by the ACD are shown in the Statement of change in net assets attributable to shareholders. The balance due to the ACD and their associates at the year end in respect of these transactions was £154,020 (31.01.10: £145,783).

Material holdings in the funds are disclosed in the respective fund's account.

13. Financial instruments

In pursuing its investment objective as stated in the Fund highlights of each individual sub-fund, the Company holds a number of financial instruments. The Company's financial instruments, other than derivatives, comprise securities and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income.

The main risks arising from the Company's financial instruments and the ACD's policies for managing these risks are summarised below. These policies have been applied throughout the year.

Market price risk

Market price risk is the risk that the value of the Company's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Company holds. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. The Company's investment portfolio is exposed to market price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy as set out in the Prospectus.

Adherence to investment guidelines and to investment and borrowing powers set out in the Instrument of Incorporation and in the Financial Services Authority's Collective Investment Schemes Sourcebook mitigates the risk of excessive exposure to any particular type of security or issuer.

Foreign currency risk

Foreign currency risk is the risk that the value of the underlying funds' investment holdings will fluctuate as a result of changes in foreign currency exchange rates.

A proportion of some of the underlying funds' investment portfolios are invested in overseas securities and the balance sheet can be affected by movements in foreign exchange rates. The ACD may seek to manage exposure to currency movements by using forward exchange contracts or by hedging the sterling value of investments that are priced in other currencies. Income received in other currencies is converted to sterling on the date of the transaction.

See the respective fund for its foreign currency profile.

Interest rate risk

Interest rate risk is the risk that the value of the underlying funds' investment holdings will fluctuate as a result of changes in interest rates.

Some of the underlying funds may invest in fixed and floating rate securities. The income of the underlying funds may be affected by changes to interest rates relevant to particular securities or as a result of the ACD being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movements in the future. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Liquidity risk

The Company's assets comprise mainly of readily realisable securities. If insufficient cash is available to finance shareholder redemptions then securities held by the Company may need to be sold.

The risk of low market liquidity, through reduced trading volumes, may affect the ability of the fund to trade financial instruments at values indicated by market data vendors. From time to time, liquidity may also be affected by stock specific or economic events.

To manage these risks the Investment Manager undertakes detailed research to select appropriate investment opportunities in line with the individual sub-fund's objective. All stocks are valued daily but those stocks identified as being less liquid are reviewed on a regular basis for pricing accuracy.

Credit risk

Certain transactions in securities that the Company enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Company has fulfilled its responsibilities. The Company only buys and sells investments through brokers which have been approved by the ACD as an acceptable counterparty. In addition, limits are set to the exposure to any individual broker that may exist at any time and changes in brokers' financial ratings are reviewed.

In order to trade derivative instruments the ACD enters into an agreement with an approved counterparty. The ACD assesses the credit worthiness of the counterparty, however the fund remains at risk that the counterparty will not settle its obligations under the contract. Any collateral due to or from the fund under the terms of the contract may not be settled.

The funds restrict their exposure to credit losses on derivative instruments by trading via an International Swap and Derivative Association (ISDA) Master Arrangements with each counterparty.

Derivative risk

The company enters into derivative transactions in the form of futures to provide exposure to underlying securities in an index and to act as a more liquid alternative to direct investment. Futures provide an efficient tool to implement future interest and equity movement views, as well as curve selection. The decision to buy or sell futures will be made to benefit from any change in value of the futures (from the underlying capital value).

Where derivatives are used, such instruments are inherently volatile and those Funds could potentially be exposed to additional risk and costs should the market move against them. In aiming to reduce volatility the ACD utilises a risk management process. The funds that make use of derivatives are required to measure and limit their global exposure arising from these contracts. Exposure is monitored to ensure the Fund's exposure is within the limits set out by the ACD, the scheme documents and the COLL Sourcebook. None of the funds have exceeded the limits set during the year.

Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Statement of the Authorised Corporate Director

Statement of the Authorised Corporate Director's responsibilities in relation to the financial statements of the scheme

The Rules of the Financial Services Authority's Collective Investment Schemes Sourcebook require the Authorised Corporate Director to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the company and of its income and expenditure for the period.

In preparing those financial statements the Authorised Corporate Director is required to:

- comply with the Prospectus and applicable accounting standards, subject to any material departures which are required to be disclosed and explained in the financial statements;
- comply with the Statement of Recommended Practice for Authorised Funds issued by the IMA in 2010;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation for the foreseeable future; and
- take reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The Authorised Corporate Director is required to keep proper accounting records and to manage the company in accordance with the regulations and the Prospectus.

The report has been prepared in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook. The shareholders of the ICVC are not liable for the debts of the ICVC.

Mr R Thompson
Director
JPMorgan Funds Limited
28 April 2011

Report of the Depositary to the Shareholders for the year ended 31 January 2011 for the JPMorgan Fund III ICVC ('the company')

The depositary is responsible for the safekeeping of all of the property of the company (other than tangible moveable property) which is entrusted to it and for the collection of revenue that arises from that property.

It is the duty of the depositary to take reasonable care to ensure that the company is managed in accordance with the Financial Services Authority's Collective Investment Schemes Sourcebook (COLL), as amended, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended ('the OEIC Regulations'), the company's Instrument of Incorporation and Prospectus, in relation to the pricing of, and dealings in, shares in the company; the application of revenue of the company; and the investment and borrowing powers applicable to the company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as depositary of the company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the company, acting through the Authorised Corporate Director:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the company's shares and the application of the company's revenue in accordance with COLL and, where applicable, the OEIC Regulations, the Instrument of Incorporation and Prospectus of the company, and

(ii) has observed the investment and borrowing powers and restrictions applicable to the company.

The Royal Bank of Scotland plc
Trustee and Depositary Services
Edinburgh
28 April 2011

Independent Auditors' Report to the Members of JPMorgan Fund III ICVC ('the company')

We have audited the financial statements of JPMorgan Fund III ICVC (the "Company") for the year ended 31 January 2011 which comprise the Aggregated statement of total return, the Aggregated statement of change in net assets attributable to shareholders, the Aggregated balance sheet and related notes and for each of the Company's sub-funds, the Statement of total return, the Statement of change in net assets attributable to shareholders, the Balance sheet, the related notes and the Distribution tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for Authorised Funds").

Respective responsibilities of director and auditors

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authorised Corporate Director; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and each of the sub-funds at 31 January 2011 and of the net revenue and the net gains of the scheme property of the Company and each of the sub-funds for the year then ended; and
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the Company have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 April 2011

The maintenance and integrity of the J.P. Morgan Asset Management web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Who to contact

Intermediaries
0800 727 770

If you are an investor with us please call
0800 20 40 20

Lines are open 9.00am to 5.30pm Monday to Friday.
Telephone lines are recorded to ensure compliance with our legal and regulatory obligations and internal policies.

www.jpmorganassetmanagement.co.uk

Issued by JPMorgan Funds Limited which is authorised and regulated by the Financial Services Authority and is part of the J.P. Morgan Asset Management marketing group.

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