J.P. MORGAN CAPITAL FINANCING LIMITED
(Registered Number: 02290621)

Annual report for the year ended 31 December 2019

J.P. MORGAN CAPITAL FINANCING LIMITED
Annual report for the year ended 31 December 2019

Contents | **Page**

J.P. MORGAN CAPITAL FINANCING LIMITED
Strategic report

The directors present the strategic report of J.P. Morgan Capital Financing Limited (the "Company") for the year ended 31 December 2019.

Overview

The Company is incorporated and domiciled in England and Wales. It is an indirect subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding Company incorporated under Delaware law in 1968, it is a global leading financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had $1,267.9 million in assets and $1,266.5 million in total shareholders equity as of 31 December 2019.

Review of business

The directors are satisfied with the performance of the Company for the year.

Income Statement:

The results for the year are set out on page 7 and show the Company's profit for the financial year after taxation is $20.2 million (2018: $10.1 million).

Balance sheet:

The balance sheet is set out on page 8. The Company has total assets and total liabilities of $1,267.9 million (2018: $1,248.3 million) and $1.5 million (2018: $2.0 million) respectively as at 31 December 2019.

Future outlook

The U.K.'s departure from the EU, which is commonly referred to as "Brexit," occurred on January 31, 2020.

Following this departure, the U.K. has entered a transition period that is scheduled to expire on December 31, 2020. The purpose of the transition period is to enable the U.K. and the EU to negotiate the terms of their future relationship and both sides agreed in June 2020 not to extend the transition period beyond December 31, 2020. It is not clear whether the terms of the future relationship can be agreed before the end of 2020, and so significant uncertainty remains about the relationship between the U.K. and the EU after the end of the transition period.

In light of the ongoing uncertainty, the Firm continues to execute the relevant elements of its Firmwide Brexit Implementation program with the objective of being able to continue delivering the Firm's capabilities to its EU clients. The program covers strategic implementation across all impacted businesses and functions and includes an ongoing assessment of implementation risks including political, legal and regulatory risks and plans for addressing and mitigating those risks under any scenario, including where the U.K. and the EU fail to reach an agreement on their future relationship by the end of 2020.

The Firm has a long-standing presence in the UK, which currently serves as the regional headquarters of the Firm's operations in over 30 countries across Europe, the Middle East, and Africa ("EMEA"). In the region, the Firm serves clients and customers across its business segments. The Firm has approximately 17,000 employees in the U.K., of which approximately two-thirds are in London, with operational and technology support centres in locations such as Bournemouth, Glasgow and Edinburgh.

The Firm's legal entities in Germany, Luxembourg and Ireland are now prepared and licensed to provide services to the Firm's EU clients, including a branch network covering locations such as Paris, Madrid and Milan.

The impact of Brexit on the Company's business model and risks will continue to be assessed as part of the Firmwide strategy in considering a strategic post-Brexit legal entity structure.

Future outlook (continued)

COVID -19

The Firm is monitoring the COVID-19 pandemic closely, based on the guidance being provided by the relevant health and government authorities, and continues to implement protocols and processes in response to the spread of the virus. The Firm has organised a central team to continue to consider what steps should be taken around the globe to protect our employees, prepare our businesses, and serve our clients and the communities where we live and work. In addition, teams across functions, businesses and regions continue to meet regularly to understand the global situation and to ensure any emerging developments relating to the well-being of our employees or the resiliency of our businesses are addressed quickly. Our business remains operational and senior leaders across the firm continue to monitor operational metrics. The Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic, refer to post balance sheet events (note 16).

Principal risks and uncertainties

The Company's risks and uncertainties are integrated with that of the Firm. The Company is a holding Company and its greatest risk lies in the value of investments. An impairment assessment of the value of investment in subsidiary undertakings is conducted at least once a year.

On behalf of the board

James Chatters, Director

Date: 9 September 2020

J.P. MORGAN CAPITAL FINANCING LIMITED
Directors' report

The directors present their report and the audited financial statements of J.P. Morgan Capital Financing Limited (the "Company") for the year ended 31 December 2019. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase"). The Company's registration number is 2290621.

Refer to the Strategic Report for future outlook.

Results and dividends

The results for the year are set out on page 7 and show the Company's profit for the financial year is $20.2 million (2018: $10.1 million).

No dividends have been paid or proposed by the Company during the year (2018: $nil).

Post balance sheet events

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic.

On 8 September 2020, J.P. Morgan Chase International Financing Limited paid a dividend of $515 million to the Company.

Directors

The directors of the Company who served during the year and up to the date of signing the financial statements were as follows:

C. Benkert	Resigned on 12 June 2019
J. Hobson	Resigned on 29 March 2019
M. Allen	
J. Chatters	Appointed on 17 July 2019

Directors' interests

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards, comprising FRS 101 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Qualifying third party indemnity provision

An indemnity is provided to the directors of the Company under the by-laws of JPMorgan Chase & Co. against liabilities and associated costs which they could incur in the course of their duties to the Company. The indemnity was in force during the financial year and also at the date of approval of the financial statements. A copy of the by-laws of JPMorgan Chase & Co. is available at the registered office address of the Company.

Company secretary

The secretary of the Company who served during the year was as follows:

J.P. Morgan Secretaries (UK) Limited.

Registered address

25 Bank Street
Canary Wharf
London E14 5JP
England and Wales

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

On behalf of the board

James Chatters, Director

Date: 9 September 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, J.P. Morgan Capital Financing Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sheena Coutinho (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London 9 September 2020

J.P. MORGAN CAPITAL FINANCING LIMITED
Income Statement

Year ended 31 December	Note	2019 $'000	2018 $'000
Dividend income		5,000	272
Interest and similar income	5	22,544	17,220
Operating income		**27,544**	**17,492**
Other expense	7	(2,996)	(4,861)
Administrative expenses		(31)	(19)
Profit on ordinary activities before taxation	8	24,517	12,612
Tax on profit on ordinary activities	9	(4,284)	(2,556)
Profit for the financial year		**20,233**	**10,056**

Statement of comprehensive income

There were no other items of comprehensive income or expense other than the profit for the financial year shown above (2018: $nil). As a result, profit for the financial year represents total comprehensive income in both the current and prior financial year.

The notes on pages 10 - 16 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED
Balance sheet

31 December	Note	2019 $'000	2018 $'000
Non current assets			
Investments in JPMorgan Chase undertaking	10	352,278	355,247
Debtors	11	850,000	—
Total non current assets		**1,202,278**	**355,247**
Current assets			
Cash and cash equivalents	12	65,179	38,896
Debtors	11	465	854,121
Total current assets		**65,644**	**893,017**
Total assets		**1,267,922**	**1,248,264**
Current liabilities			
Creditors: amounts falling due within one year	13	(1,457)	(2,032)
Total liabilities		(1,457)	(2,032)
Net current assets		**64,187**	**890,985**
Net assets		**1,266,465**	**1,246,232**
Equity			
Called-up share capital	14	107	107
Other reserves		976,869	976,869
Retained earnings		289,489	269,256
Total equity		**1,266,465**	**1,246,232**

The notes on pages 10 - 16 form an integral part of the financial statements.

The financial statements on pages 7 to 16 were approved by the Board of Directors on 9 September 2020 and signed on its behalf by:

James Chatters, Director

Date: 9 September 2020

J.P. MORGAN CAPITAL FINANCING LIMITED
Statement of changes in equity

	Called-up share capital	Other reserves	Retained earnings	Total equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2018	**107**	**976,869**	**259,200**	**1,236,176**
Profit for the financial year	—	—	10,056	10,056
Balance as at 31 December 2018	**107**	**976,869**	**269,256**	**1,246,232**
Profit for the financial year	—	—	20,233	20,233
Balance as at 31 December 2019	**107**	**976,869**	**289,489**	**1,266,465**

The notes on pages 10 - 16 form an integral part of the financial statements.

J.P. MORGAN CAPITAL FINANCING LIMITED
Notes to the financial statements

1. General information

The Company is a private limited entity incorporated and domiciled in England and Wales. The Company's immediate parent undertaking is JPMorgan Chase Holdings LLC, which is incorporated in the state of Delaware in the United States of America. The Company's ultimate parent undertaking and the parent undertaking of the only group in which the results of the Company are consolidated, is JPMorgan Chase & Co. (the "Firm" or "JPMorgan Chase"), which is incorporated in the state of Delaware in the United States of America. The consolidated financial statements of the Firm can be obtained from the Company's registered office at 25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales.

Principal activity

The principal activity of the Company is to act as a holding Company. The Company through its subsidiary undertakings, held financial instruments and provided loans and funding commitments to JPMorgan Chase undertakings and to a variety of commercial enterprises.

2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" ("FRS 101"). FRS 101 applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") with reduced disclosures.

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006.

The following exemptions from the requirements of IFRS as adopted by the EU have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Comparative information disclosures (paragraph 38 of IAS 1 'Presentation of financial statements' ("IAS 1")) for reconciliation of share capital (paragraph 79(a)(iv) of IAS 1);
- Statement of compliance to IFRSs (paragraph 16, IAS 1);
- Cash flow statement and related notes IAS 7 'Cash flow statements';
- Disclosures in relation to new or revised standards issued but not yet effective (paragraph 30 and 31, IAS 8, 'Accounting policies, changes in accounting estimates and errors');
- Key management compensation disclosures (paragraph 17, IAS 24 'Related Party Disclosures' ("IAS 24"));
- Related party transactions with wholly owned JPMorgan Chase undertakings (paragraph 18 and 19, IAS 24);
- Disclosure requirements of IFRS 7 'Financial Instruments: Disclosures'; and
- Disclosure requirements of IFRS 13 'Fair Value Measurement' (paragraph 91 - 99 of IFRS 13).

3. Critical accounting estimates and judgements

The preparation of financial statements generally requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. Due to nature of business undertaken by the Company, no significant accounting estimates or judgements were required in preparation of these financial statements.

4. Significant accounting policies

The following are principal accounting policies applied in the preparation of these financial statements. These policies have been applied consistently to all the years presented, unless otherwise stated.

4.1 Consolidation

The Company is a subsidiary undertaking of JPMorgan Chase Holdings LLC, a company incorporated in United States of America and of its ultimate parent JPMorgan Chase & Co. a company incorporated in the United States of America. It is included in the consolidated financial statements of JPMorgan Chase & Co. which are publicly available. Therefore, the Company has elected not to prepare group financial statements in accordance with the dispensation set out in Section 401 of the Companies Act 2006.

4.2 Foreign currency translation

Monetary assets and monetary liabilities in foreign currencies are translated into United States ("U.S.") dollars at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the date of the transactions. Any gains or losses arising on translation are taken directly to the income statement.

4. Significant accounting policies (continued)

4.2 Foreign currency translation (continued)

Non-monetary items denominated in foreign currencies that are stated at historical cost are translated into U.S. dollars at the exchange rate ruling at the date of the transaction.

Non-monetary items denominated in foreign currencies that are stated at fair value are translated into U.S. dollars at foreign exchange rates ruling at the dates when the fair values were determined. Translation differences arising on non-monetary items measured at fair value are recognised in the income statement

4.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). U.S. dollars is considered as functional and presentation currency of the Company.

4.4 Dividend recognition

Dividend income is recognised when the right to receive payment is established.

Dividend distributions are recognised in the period in which they are declared and approved.

4.5 Investments in JPMorgan Chase undertakings

Investments in JPMorgan Chase undertakings are stated at cost less impairment. Where the investments in the share capital of JPMorgan Chase undertakings are acquired by way of a dividend in kind, these are initially recognised at fair value and subsequently at cost less provision for any impairment.

4.6 Impairment of investments in JPMorgan Chase undertakings

The Company assesses at each balance sheet date whether there is any objective evidence that Investments in JPMorgan Chase undertakings are impaired. The impairment review includes a comparison of the carrying amount with its recoverable amount, which is based on the net asset value of the investee Company at the balance sheet date.

4.7 Current tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

4.8 Financial instruments

4.8.1 Financial assets and liabilities

i. Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, which is the date on which the Company commits to purchase or sell an asset.

ii. Classification and measurement of financial assets and financial liabilities

On initial recognition, financial assets are classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

On initial recognition, financial liabilities are classified as measured at either amortised cost or fair value through profit or loss.

4. Significant accounting policies (continued)

4.8.1 Financial assets and liabilities (continued)

Financial assets and financial liabilities measured at amortised cost

Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.

Financial assets measured at amortised cost include cash and cash equivalents and debtors.

Financial liabilities are measured at amortised cost unless they are held for trading or a designated as measured at fair value through profit or loss. Most of the Company's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include amounts owed to JPMorgan Chase undertakings.

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs. The initial amount recognised is subsequently reduced for principal repayments and for accrued interest using the effective interest method. In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through the profit or loss.

The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.

Gains and losses arising on the disposal of financial assets measured at amortised cost are recognised in 'trading profit' or other non interest revenue as relevant.

4.8.2 Interest income and interest expense

Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses.

Interest expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities.

4.9 Provisions and contingent liability

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognised because either the probability of an outflow of economic benefits is considered to be remote, or probable, but reliable estimate cannot be made. Contingent liabilities are not recognised in the financial statements; however disclosure is made unless the probability of settlement is remote.

4.10 Expense recognition

Expenses are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash and balances at banks and loans and advances to banks with maturities of three months or less.

5. Interest and similar income

	2019	2018
	$'000	$'000
Interest and similar income from other JPMorgan Chase undertakings	22,544	17,220

6. Directors' emoluments

	2019	2018
	$'000	$'000
Emoluments*	1	6
Total contributions to a defined contribution plan	—	—
Total value of long term incentive plans for all directors	—	—
Number of directors to whom defined contribution pension rights accrued	3	3
Number of directors with shares received or receivable under LTIPs	1	3

*The amounts shown above in respect of emoluments paid to directors exclude amounts paid or due to directors under long term incentive plans, the value of share options granted or exercised and benefits to which directors are entitled under any pension schemes.

In accordance with the Companies Act 2006, the directors' emoluments above represent the proportion paid or payable in respect of qualifying services only. Directors also received emoluments for non-qualifying services, which are not required to be disclosed.

Highest paid director

The emoluments of the highest paid director is under £200,000 which is not required to be disclosed under the requirements of the Companies Act 2006.

The directors are employees of other Companies in the Firm and all expenses, including remuneration, are paid by those Companies and not recharged.

The Company had no employees during the year (2018: none).

7. Other expense

	2019	2018
	$'000	$'000
Foreign exchange translation (expense)/gain	(27)	107
Impairment on investment in subsidiary	(2,969)	—
Loss on sale of investments	—	(4,968)
	(2,996)	**(4,861)**

8. Profit on ordinary activities before taxation

	2019	2018
	$	$
Profit before income tax is stated after charging:		
Auditors' remuneration for the audit of the Company's annual financial statements	7,686	7,260

9. Tax on profit on ordinary activities

	2019	2018
	$'000	$'000
(a) Analysis of tax charge for the year:		
Current taxation		
UK Corporation tax on profit for the year	4,283	4,777
Foreign tax suffered	—	41
Adjustments in respect of prior years	1	—
Total current tax	**4,284**	**4,818**
Deferred tax		
Current year	—	(2,528)
Effect of changes in tax rates	—	266
Total deferred tax	**—**	**(2,262)**
Total tax expense for the year	**4,284**	**2,556**

(b) Factors affecting the current tax charge for the year

The tax charge for the year is same as the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below:

	2019	2018
	$'000	$'000
Profit on ordinary activities before taxation	24,517	12,612
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK 19% (2018: 19%)	4,658	2,396
Effects of:		
Non taxable income	(950)	(52)
Tax rate changes	—	266
Non deductible expenses	575	924
Gain on sale of investment	—	(1,020)
Effects of overseas tax rates	—	41
Adjustment in respect of prior years	1	1
Total tax expense for the year	**4,284**	**2,556**

10. Investments in JPMorgan Chase undertakings

	2019	2018
	$'000	$'000
At 1 January	355,247	355,247
Less: Impairment	(2,969)	—
Investment in JPMorgan Chase undertakings at 31 December	**352,278**	**355,247**

The above investments are shown at cost less any provisions for impairment.

10. Investments in JPMorgan Chase undertakings (continued)

The investments represent share capital in the following entities:

Name	Registered address	Principal Activity	Shares Held %
J.P. Morgan Chase International Financing Limited*	25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales	Management of cash	100%
J.P. Morgan Administration Services (Jersey) Limited*	Forum 4, Grenville Street, St. Helier, JE2 4UF, Jersey	Fund Administration	100%
Affiliates			
Aldermanbury Investments Limited	25 Bank Street, Canary Wharf, London, E14 5JP, England and Wales	Investment Company	0.58%

*Direct investment

The directors believe that the carrying value of the investments is supported by their underlying net assets.

11. Debtors

	2019	2018
	$'000	$'000
Non-current		
Amounts owed by other JPMorgan Chase undertakings	850,000	—
Current		
Amounts owed by other JPMorgan Chase undertakings	312	853,968
Other debtors	153	153
	465	854,121
	850,465	**854,121**

12. Cash and cash equivalents

All bank balances are held with other JPMorgan Chase undertakings.

13. Creditors: amounts falling due within one year

	2019	2018
	$'000	$'000
Amounts owed to JPMorgan Chase undertakings	38	17
Corporation tax	1,419	2,015
	1,457	**2,032**

14. Called-up share capital

	2019	2018
	$'000	$'000
Issued and fully paid share capital		
At 31 December		
60,000 (2018: 60,000) ordinary shares of £1 each	107	107

15. Contingent liability

On 12 May 2009, the Company's subsidiary, Robert Fleming Holdings Limited (which has now been dissolved) entered into a novation agreement with the Company to assign and transfer all the rights and obligations of Robert Fleming Holdings Limited in respect of the guarantee issued to J.P. Morgan Pension Trustee Limited in favour of former members of Robert Fleming Group Pension scheme ("RFGPS"). The former members of the RFGPS were transferred to the JPMC UK Retirement Plan ("JPMC Plan") in 2004. In the event of the JPMC Plan being wound up, and there is a shortfall in the JPMC Plan, JPMorgan Chase Bank and the Company are jointly responsible ensuring that each RFGPS Beneficially receives, or is entitled to receive, his or her total benefits in full. Estimated value of guarantee as at 31 December 2019 was USD 256.9 million (GBP 194.0 million) (2018: USD 304.6 million (GBP 230.0 million)).

16. Post balance sheet events

Following the outbreak of the COVID-19 pandemic in early 2020, the Company and the Firm are monitoring the development of the pandemic and evaluating its impact on the financial position and operating results of the Company. As at the date on which this set of financial statements were authorised for issue, the Company is not aware of any material adverse effects on the financial position or operations as a result of the COVID-19 pandemic.

On 8 September 2020, J.P. Morgan Chase International Financing Limited paid a dividend of $515 million to the Company.