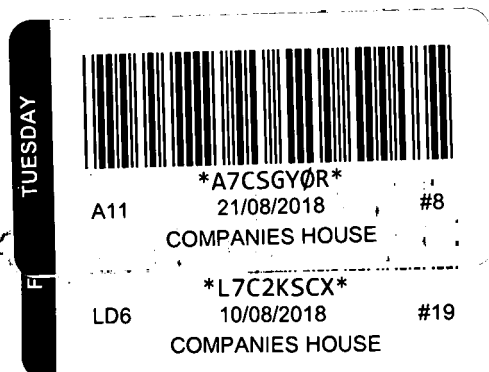


J.P. MORGAN CAPITAL FINANCING LIMITED
(Registered Number: 2290621)

Annual report for the year ended 31 December 2017



J.P. MORGAN CAPITAL FINANCING LIMITED
Annual report for the year ended 31 December 2017

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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 2017.

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 \$1,239,238,000 in assets and \$1,236,176,000 in total shareholder's equity as of 31 December 2017.

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.

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 \$14,960,000 (2016: \$4,996,000).

Balance sheet:

The balance sheet is set out on page 8. The Company has total assets and total liabilities of \$1,239,238,000 (2016: \$1,221,865,000) and \$3,062,000 (2016: \$649,000) respectively as at 31 December 2017.

Future outlook

On 23 June 2016, the United Kingdom ("UK") voted by referendum to leave the European Union ("Brexit"). The UK Government invoked Article 50 of the Lisbon Treaty on 29 March 2017, starting a two year period for the formal exit negotiations. This means that the UK will leave the European Union ("EU") on 29 March 2019 assuming the timeline is not unanimously extended by the remaining 27 EU Member States ("EU 27") and the UK. Formal negotiations began on 19 June 2017. In December 2017, the EU27 agreed that 'sufficient progress' had been made on the terms of the UK's withdrawal to allow parallel talks on the future relationship, and on 23 March 2018, the European Council announced a political agreement with the UK for a 21-month transition period, and adopted negotiating guidelines on the long-term agreement.

The UK's priorities in negotiating the future relationship are to seek a bilateral free trade agreement with the EU27 that facilitates the 'greatest possible access' to the Single Market, but that the UK will not seek to continue its membership of the Single Market. The current EU position, as set out in Council negotiating directives, is that negotiations will address trade in both goods and services, with the aim of allowing market access under host state rules, but that any future framework should safeguard financial stability in the EU and respect its regulatory and supervisory regime. Formal talks on the broad set of future relationship issues are likely to begin in early April. On 23 March EU leaders confirmed that a political agreement had been reached with the UK that provisions for a 21-month transition period following Brexit to be included in the Withdrawal Agreement. The Withdrawal agreement will need to be ratified by the UK and European Parliament before the UK's official exit date of 29 March 2019.

Brexit will have significant impact across the Firm's European businesses, including business and legal entity reorganisation. However, the situation remains highly uncertain, including in relation to whether a transition period is secured and whether financial services will be included in any future free trade agreement.

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.

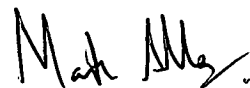
J.P. MORGAN CAPITAL FINANCING LIMITED

Strategic report (continued)

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



Director

Mark Allen

2/8/2018

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 2017. 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 \$14,960,000 (2016: \$4,996,000).

No dividends have been paid or proposed by the Company during the year (2016: \$nil).

Post balance sheet event

Based on the information available as at December 2017, the Firm's valuation methodology implied a valuation for the Company's investment in Euroclear shares of approximately EUR 11.2 million.

In February 2018, following a third party trade in Euroclear shares, the Firm's valuation methodology implied a valuation for the Company's investment in Euroclear shares of approximately EUR 9.1 million. Since the value of this post year end transaction could not be foreseen as at 31 December 2017, the new transaction price was not applied until the quarter ended 31 March 2018 completed.

Directors

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

F.M.P. Mouchel	Resigned on 5 May 2017
S.M. White	Resigned on 1 August 2017
C. Benkert	Appointed on 5 May 2017
J. Hobson	Appointed on 1 August 2017
M. Allen	Appointed on 1 August 2017

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.

J.P. MORGAN CAPITAL FINANCING LIMITED

Directors' report (continued)

Disclosure of information to auditors

Each person who is a director of the Company at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director to make himself or herself 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.

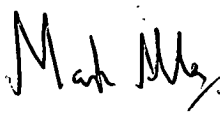
Registered address

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

 7/8/2018

Director

Mark Allen

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 2017 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 (the "Annual Report"), which comprise: the Balance sheet; the Income statement; the Statement of comprehensive income; the Statement of changes in equity; 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 when:

- 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.

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)

Reporting on other information (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 2017 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.

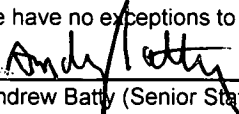
Other required reporting

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.



Andrew Batty (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 August 2018

J.P. MORGAN CAPITAL FINANCING LIMITED

Income Statement

Year ended 31 December		2017	2016
	Notes	\$'000	\$'000
Interest and similar income	7	8,578	3,629
Interest expense and similar charges	8	—	(169)
Net Interest Income		8,578	3,460
Other income/(expense)	5	4,742	(957)
Dividend income		5,593	5,582
Impairment of investment	11	—	(2,356)
Total operating Income		10,335	2,269
Profit on ordinary activities before taxation	9	18,913	5,729
Tax on profit on ordinary activities	10	(3,953)	(733)
Profit for the financial year		14,960	4,996

Statement of comprehensive income

There were no other items of comprehensive income or expense other than the profit for the financial year shown above (2016: \$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.

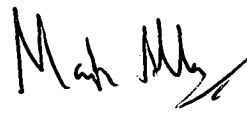
J.P. MORGAN CAPITAL FINANCING LIMITED

Balance sheet

31 December		2017	2016
	Notes	\$'000	\$'000
Non current assets			
Investments in JPMorgan Chase undertaking	11	355,247	461,727
Debtors	12	836,112	—
Total non current assets		1,191,359	461,727
Current assets			
Financial assets designated at fair value through profit or loss	13	13,424	8,654
Cash and cash equivalents	14	33,448	29,267
Debtors	12	1,007	722,217
Total current assets		47,879	760,138
Total assets		1,239,238	1,221,865
Non current liabilities			
Deferred tax liability	15	(2,262)	—
Current liabilities			
Creditors: amounts falling due within one year	16	(800)	(649)
Total liabilities		(3,062)	(649)
Net current assets		47,079	759,489
Net assets		1,236,176	1,221,216
Equity			
Called-up share capital	17	107	107
Other reserves		976,869	976,869
Retained earnings		259,200	244,240
Total equity		1,236,176	1,221,216

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 _____ 2018 and signed on its behalf by:


 Director
 Mark Allen
 7/8/2018

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 2016	107	976,869	239,244	1,216,220
Profit for the financial year	—	—	4,996	4,996
Balance as at 31 December 2016	107	976,869	244,240	1,221,216
Profit for the financial year	—	—	14,960	14,960
Balance as at 31 December 2017	107	976,869	259,200	1,236,176

Opening balance of other reserves as at 1 January 2016 represents capital contribution reserve amounting to \$938,913,000 and \$29,006,000 of non-cash dividend (investment in JPMorgan Administrative (Jersey) Limited) received as a part of internal reorganisation in 2014.

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.

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 the nature of business undertaken by the Company, no significant accounting estimates or judgements were required in preparation of these financial statements.

Fair value measurement

The Company carries a portion of its assets at fair value on a recurring basis. Estimating fair value often requires the application of judgement. The type and level of judgement required is largely dependent on the amount of observable market information available to the Company and the Firm.

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 & Co. a company incorporated in the United States of America. It is included in the consolidated financial statements of its ultimate parent, JPMorgan Chase & Co. which are publically 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.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.2 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into United States dollars ("U.S. dollars") 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.

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 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 Income and expense recognition

Interest income and expense are recognised on an effective interest rate basis.

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

4.5 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.

4.6 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.

4.7 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.

4.8 Current and deferred 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date, which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right and an intention to settle on a net basis.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.9 Financial assets and financial liabilities

The Company classifies its financial assets and financial liabilities as financial assets and financial liabilities designated at fair value through profit or loss.

The Company recognises a financial asset or a financial liability on its balance sheet when it becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities that the Company designates on initial recognition as being at fair value through profit or loss are recognised at fair value, with transaction costs being recognised in profit or loss and subsequently measured at fair value. Gains and losses on financial assets and financial liabilities that are designated at fair value through profit or loss are recognised in profit or loss as they arise. A financial instrument may only be designated at inception as held at fair value through profit or loss and cannot subsequently be reclassified.

Financial assets or financial liabilities are designated at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Company manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative unless the embedded derivative does not significantly modify the cash flows required by the contract or when a similar hybrid instrument is considered that separation of the embedded derivative is prohibited.

The Company has designated certain securities at fair value through profit or loss on the basis that they are managed and their performance evaluated on a fair value basis.

4.10 Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual right to receive cash flows from the asset has expired, or has been transferred with either of the following conditions met:

- a) the Company has transferred substantially all the risks and rewards of ownership of the asset; or
- b) the Company has neither retained nor transferred substantially all of the risks and rewards; but has relinquished control of the asset.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

4.11 Fair value

Financial instruments are initially recognised at fair value on the date of initial recognition and subsequently remeasured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values are determined by reference to observable market prices where available and reliable. Fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. Where market prices are unavailable, fair value is based on valuation models that consider relevant transaction characteristics (such as maturity) and use as inputs observable or unobservable market parameters, including but not limited to yield curves, interest rates, volatilities, equity or debt prices, foreign exchange rates and credit curves. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

4.12 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event (or events) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

5. Other income/(expense)

	2017	2016
	\$'000	\$'000
Foreign exchange translation (loss)/gain	(27)	48
Gain/(Loss) from fair value of financial assets	4,769	(296)
Other expense*	—	(709)
	4,742	(957)

*Other expense for the previous year represents political donation made by the Company.

6. Directors' emoluments and staff costs

The directors are employees of other JPMorgan Chase undertaking and all expenses, including remuneration, are paid by those companies and not recharged.

The directors do not consider that a significant element of their remuneration relates to the Company for the current financial year (2016: \$nil).

The Company had no employees during the year (2016: none).

7. Interest and similar income

	2017	2016
	\$'000	\$'000
Interest and similar income from other JPMorgan Chase undertakings	8,578	3,629

8. Interest expense and similar charges

	2017	2016
	\$'000	\$'000
Interest expense and similar charges by other JPMorgan Chase undertakings	—	169

9. Profit on ordinary activities before taxation

The auditors' remuneration for the audit of the Company's annual financial statements of \$7,442 (2016: \$6,674) is met by another JPMorgan Chase undertaking and not recharged.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

10. Tax on profit on ordinary activities

	2017	2016
	\$'000	\$'000
(a) Analysis of tax charge for the year:		
Current taxation		
UK Corporation tax on profit for the year	1,654	690
Foreign tax suffered	37	36
Adjustments in respect of prior years	—	7
Total current tax	1,691	733
Deferred tax		
Current year	918	—
Adjustment in respect of prior periods	1,451	—
Effect of changes in tax rates	(107)	—
Total deferred tax	2,262	—
Total tax expense for the year	3,953	733

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

The tax charge for the year differs from the standard rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:

Profit on ordinary activities before taxation	18,913	5,729
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK 19.25% (2016: 20%)	3,640	1,146
Effects of:		
Non taxable income	(1,994)	(1,116)
Tax rate changes	(107)	—
MTM movements on Euroclear plc shares	918	—
Non deductible expenses	8	660
Effects of overseas tax rates	37	36
Adjustment in respect of prior years	1,451	7
Total tax expense for the year	3,953	733

11. Investments in JPMorgan Chase undertakings

	2017	2016
	\$'000	\$'000
At 1 January	461,727	464,083
Impairment	—	(2,356)
Redemption*	(106,480)	—
Investment in JPMorgan Chase undertakings at 31 December	355,247	461,727

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

*On 14 June 2017, 7,000 preference shares of \$10,000 each and 3,648 preferred ordinary shares of \$10,000 each, held by the Company in another JPMorgan Chase undertaking, were redeemed at par for cash consideration of \$106,480,000.

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

11. 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	Finance company	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.

12. Debtors

	2017	2016
	\$'000	\$'000
Amounts owed by other JPMorgan Chase undertakings	837,020	722,168
Other debtors	99	49
	837,119	722,217

For the current year, the amounts owed by other JPMorgan Chase undertakings are falling due more than one year to the extent of \$836,112,000 and they are falling due within one year to the extent of \$908,000. In the prior year the amounts owed by other JPMorgan Chase undertakings were falling due within one year.

13. Financial assets designated at fair value through profit or loss

	2017	2016
	\$'000	\$'000
At 1 January	8,654	8,950
Movements in fair value during the year	4,770	(296)
At 31 December	13,424	8,654

14. Cash and cash equivalents

All bank balances are held with other JPMorgan Chase undertakings.

15. Deferred tax liability

	2017	2016
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Financial assets designated at fair value through profit or loss		
Adjustment in respect of prior years	1,451	—
Deferred tax charged to Income Statement for the period	811	—
	2,262	—

J.P. MORGAN CAPITAL FINANCING LIMITED

Notes to the financial statements (continued)

16. Creditors: amounts falling due within one year

	2017	2016
	\$'000	\$'000
Corporation tax	800	649

17. Called-up share capital

	2017	2016
	\$'000	\$'000
Issued and fully paid share capital		
At 31 December		
60,000 (2016: 60,000) ordinary shares of £1 each	107	107

18. Contingencies

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 will ensure 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 2017 was \$360,000,000 (2016: \$470,000,000).

19. Post balance sheet event

Based on the information available as at December 2017, the Firm's valuation methodology implied a valuation for the Company's investment in Euroclear shares of approximately EUR 11.2 million.

In February 2018, following a third party trade in Euroclear shares, the Firm's valuation methodology implied a valuation for the Company's investment in Euroclear shares of approximately EUR 9.1 million. Since the value of this post year end transaction could not be foreseen as at 31 December 2017, the new transaction price was not applied until the quarter ended 31 March 2018 completed.