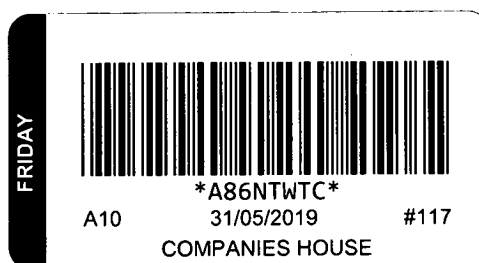


# JPMorgan Life Limited

Annual report and financial statements for the year ended 31 December 2018

(Registered in England & Wales - Registered Number: 03261506)



# **JPMorgan Life Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

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# JPMorgan Life Limited

## Directors and advisers

### Directors

P Farrell (Chief Executive)

N B Masters (Non Executive)

S E Pond

A K Whalley (Non Executive)

### Actuarial Function Holder

R Thurston, Willis Towers Watson

### Company Secretaries

J.P. Morgan Secretaries (UK) Limited

JPMorgan Asset Management (UK) Limited

### Registered Office

25 Bank Street  
London  
E14 5JP

### Independent Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

# **JPMorgan Life Limited**

## **Strategic report for the year ended 31 December 2018**

The directors present their strategic report of JPMorgan Life Limited (the “Company” or “JPMLL”) for the year ended 31 December 2018.

### **Review of the business**

The principal activity of the Company is the provision of investment management services for corporate pension arrangements in the UK. The Company issues unit-linked pension policies to both defined benefit (“DB”) and defined contribution (“DC”) pension schemes. The Company has created a range of unit-linked pension funds, specifically designed to accept money from the trustees of registered occupational and personal pension schemes. Reassurance is accepted from authorised UK insurance companies which wish to provide these unit-linked funds to their clients.

The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (“FCA”) and the Prudential Regulation Authority (“PRA”).

### **Principal risks and uncertainties**

The Company has developed a framework for identifying the risks to which the business is exposed and their impact on economic capital. This process is risk based and uses Own Risk and Solvency Assessment (“ORSA”) principles to manage its capital requirements and to ensure the Company has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulators. The principal financial risks and uncertainties to which the Company is exposed are described in note 2 to the financial statements.

The Company is not at significant risk of loss resulting from inadequate or failed processes or systems. All major services are provided to the Company by other J.P.Morgan entities which indemnify the Company for any losses arising from such failures. A formal system of oversight of outsourced services is in place to monitor service provision.

As of Q4 2018, the Board also delegates the oversight of certain items to two board committees: the JPMorgan Asset Management International Limited Remuneration Committee; and the JPMorgan Asset Management International Limited Audit, Risk and Compliance Committee. Both board committees are comprised of independent non-executive directors from within the Asset Management EMEA group. Following each quarterly meeting, the Board receive tailored reports from each board committee on any matters considered appropriate or significant to the Company.

### **Results and performance**

The results for the year, as set out on pages 11 to 12 show profit for the financial year of £606,000 (2017: £2,262,000). In the opinion of the Board the results were satisfactory.

During the year the Company continued to write business in respect of its UK pooled fund product. Outflows exceeded inflows and with negative market returns total assets under management decreased over the year.

The overall trend of flows out of equities continued, the majority of these outflows reflect the concern many UK pension funds have over the volatility of equity markets and their wish to reduce their weightings to the asset class.

Fund performance over the full range of the Company’s unit-linked pension funds was generally good during 2018. The Board continues to monitor fund performance and notes that as of 31 December 2018, 96% of AUM was in the top two quartiles against peers in 3 year performance and funds have continued to have attractive returns over a three year period.

# JPMorgan Life Limited

## Strategic report for the year ended 31 December 2018 (continued)

### Key performance indicators

The directors monitor the financial performance and financial position of the Company which remains satisfactory, in the opinion of the Board:

	2018	2017
	£000	£000
Financial results:		
Profit before tax	748	2,802
Shareholder's funds at year end	72,634	72,028
Solvency position:		
Available and eligible own funds	32,521	72,088
Ratio of eligible own funds to SCR	466%	719%
Net outflows to policyholders (as disclosed in note 14)	72,233	168,998
Assets under management:		
Direct policyholders	680,432	855,397
Reinsurance policyholders	1,154,006	1,209,779
Total assets under management	1,834,438	2,065,176

### Business environment

The closure of DB pension schemes to new members and future accruals continues, although JPMLL retained nine out of its ten remaining DB clients during 2018. DC pension scheme membership continues to increase due to automatic enrolment and the closure of DB schemes.

### Strategy

In 2018 the Company significantly reduced its range of funds, closing or merging smaller funds with limited growth prospects. The Company can now focus on a smaller number of funds, each of which has better scale. The aim for 2019 is to retain remaining DB assets under management as far as possible in the prevailing environment, and to increase DC scheme flows as suitable opportunities arise.

### Future developments

The Board do not anticipate any changes in the activities of the Company for the foreseeable future. The Company has undergone a process of optimising its fund range during 2018. This has allowed funds with limited growth potential to be liquidated and funds with overlapping investment strategies to be merged. Going forward, this will produce a more distinct range of fund strategies which cater better to the needs of our clients, and that will also benefit from scale.

Approved by the Board on 17 April 2019 and signed on its behalf by:



P Farrell  
Director

17 April 2019

# **JPMorgan Life Limited**

## **Directors' report for the year ended 31 December 2018**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

### **Dividends**

The Company did not pay an interim dividend (2017: £nil). The directors are recommending a final dividend of £40,000,000 (2017: £nil).

### **Directors**

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

P Farrell	(Appointed 26 March 2018)
N B Masters	
M J O'Brien	(Resigned 26 March 2018)
S E Pond	(Appointed 22 January 2018)
D Watkins	(Resigned 15 March 2019)
A K Whalley	(Appointed 27 June 2018)

### **Liability insurance**

As permitted by Section 233 of the Companies Act 2006 the directors are covered for insurance purposes by the JPMorgan Chase & Co. blanket insurance maintained at a consolidated level for the global business.

### **Third party indemnities**

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 remains in force at the date of these financial statements and a copy of the by-laws of JPMorgan Chase & Co. is kept at the registered office of the Company.

### **Company secretaries**

The joint secretaries of the Company who served during the year were as follows:

J.P. Morgan Secretaries (UK) Limited	
JPMorgan Asset Management (UK) Limited	(Appointed 21 March 2019)
B M Burrow	(Resigned 12 February 2019)

### **Financial instruments and risk management**

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 2 to the financial statements.

### **Future developments**

Future developments are discussed in the strategic report under the heading "Future developments".

### **Mandatory Audit Firm Rotation**

EU legislation in the form of the Statutory Audit Regulation and Directive came into force in June 2016, and requires Mandatory Audit Firm Rotation for Public Interest Entities ("PIE's") after a certain period of time. For a PIE firm where the tenure of the current auditor was greater than 20 years when the EU legislation came into effect, they were granted a 6 year transition period to rotate auditor. The Company will therefore rotate its current auditors to new auditors for the 31 December 2023 year-end audit.

# JPMorgan Life Limited

## Directors' report for the year ended 31 December 2018 (continued)

### Statement of disclosure of information to auditors

Each of the persons who is a director of the Company at the date of signing of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2018 (as defined in the Companies Act 2006) of which the Company's independent auditors are unaware; and
- the director has taken all steps that he/she ought to have taken in his duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's independent auditors are aware of that information.

### Independent auditors

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

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework" ("FRS101"). 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 that period.

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 UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

**Approved by the Board on 17 April 2019 and signed on its behalf by:**



P Farrell  
Director

17 April 2019

# Independent auditors' report to the members of JPMorgan Life Limited

## Report on the audit of the financial statements

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### Opinion

In our opinion, JPMorgan Life Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; 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.

Our opinion is consistent with our reporting to the Audit Committee.

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### 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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

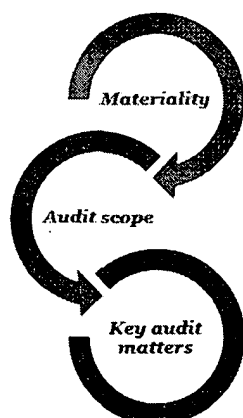
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2018 to 31 December 2018.

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### Our audit approach

#### Overview



- Overall materiality: £726,000 (2017: £140,000), based on 1% of net assets for all balances other than policyholder assets and liabilities and associated statement of comprehensive income line items, for which £18.4m (2017: £20.6 million) based on 1% of assets held to cover linked liabilities has been used.
  - In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council. We have applied a higher solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.
- 
- We have performed a full scope audit of JPMorgan Life Limited in accordance with our materiality and risk assessment.
- 
- Risk of fraud in revenue recognition.
- 

#### The scope of our audit

We have performed a full scope audit, taking into account our determination of materiality and assessment of the risks of material misstatement in the financial statements.



# Independent auditors' report to the members of JPMorgan Life Limited (continued)

## *Capability of the audit in detecting irregularities, including fraud*

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulatory Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board, internal audit, senior management involved in Risk and Compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit, Risk and Compliance Committee, and Board of Directors;
- Identifying and testing journal entries; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of management fees and operating expenses.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## *Key audit matters*

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<b><i>Key audit matter</i></b>	<b><i>How our audit addressed the key audit matter</i></b>
<p><i>Risk of fraud in revenue recognition</i></p> <p><i>The calculation of revenue is not determined to be a complex area however there is a presumption that management always has the opportunity to manipulate revenue through top up manual journals, we focus our testing on revenue manual journals.</i></p>	<p>We have performed the following with regards to our risk of fraud in revenue recognition:</p> <ul style="list-style-type: none"> <li>– Tested a sample of journal entries focused on particular revenue journals made by management outside the normal course of business.</li> <li>– In addition we performed the following testing over revenue:</li> <li>– Refreshed our understanding over the calculation and recognition of all significant streams of revenue.</li> <li>– Reviewed revenue recognition accounting policy for compliance with accounting standards.</li> <li>– Tested a sample of annual management fees by agreeing to invoices and tracing cash receipts to bank.</li> <li>– Tested a sample of investment income through recomputation or agreeing to supporting documents; and</li> <li>– Performed cut-off testing procedures to confirm revenue is recorded in the correct period.</li> <li>– Additionally, we have performed the following controls testing:</li> <li>– Obtained an understanding of the activities performed by the Corporate and Investment Bank ("CIB") and the controls in place at the service organisation.</li> </ul>

# Independent auditors' report to the members of JPMorgan Life Limited (continued)

## *How we tailored the audit scope*

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

## *Materiality*

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£726,000 (2017: £140,000) for all balances other than policyholder assets and liabilities and associated statement of comprehensive income line items, for which £18.4m (2017: £20.6m) is applied.
<b>How we determined it</b>	1% of net assets for all balances other than policyholder assets and liabilities, and associated statement of comprehensive income line items and 1% of assets held to cover linked liabilities for those financial statement line items.
<b>Rationale for benchmark applied</b>	The Company's primary focus is on its regulatory capital and satisfying its capital requirements. As such we deem that net assets is the most appropriate benchmark in determining materiality. The Company manages pension assets on behalf of its clients in a series of unit linked pooled and segregated funds. As a result, any liability owed to its clients is covered by the assets held by the entity and the investment return derived on the associated assets is offset by the change in provisions for investment contract liabilities. In accordance with guidance on the audit of insurers issued in the United Kingdom issued by the Financial Reporting Council we have applied a higher materiality based on 1% of assets held to cover linked liabilities solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities..

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.9m (2017: £1m) on policyholder assets and liabilities and £36,000 (2017: £7,000) for all other balances as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## **Conclusions relating to going concern**

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

# Independent auditors' report to the members of JPMorgan Life Limited (continued)

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## 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.

### *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 2018 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, 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](http://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.

# Independent auditors' report to the members of JPMorgan Life Limited (continued)

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## Other required reporting

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### 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.

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### Appointment

We were appointed by the directors on 1 January 1997 to audit the financial statements for the year ended 31 December 1997 and subsequent financial periods. The period of total uninterrupted engagement is 22 years, covering the years ended 31 December 1997 to 31 December 2018.



Philip Watson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
17 April 2019

# JPMorgan Life Limited

## Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £000	2017 £000
<b>Technical account - long-term business</b>			
Investment income	4	133,244	414,026
Other technical income, net of reinsurance	5	8,311	8,042
Change in other technical provisions, net of reinsurance:			
Technical provisions for linked liabilities	14	150,269	(331,486)
Net operating expenses	6	(1,539)	(2,865)
Investment expenses and charges	9	(5,918)	(5,321)
Unrealised losses on investments	4	(283,619)	(79,610)
Tax attributable to the long-term business	10	(142)	(527)
		606	2,259
<b>Non-technical account</b>			
Balance on the long-term business technical account		606	2,259
Tax credit attributable to the balance on the long-term business technical account	10	142	539
Shareholder's pre-tax profit from long-term business		748	2,798
Investment income	4	-	4
Profit on ordinary activities before tax		748	2,802
Tax on profit on ordinary activities	10	(142)	(540)
Profit for the financial year and total comprehensive income for the year		606	2,262

The results for the year have all derived from continuing operations.

The Company has no comprehensive income other than the profit for the year of £606,000 (2017: £2,262,000).

The notes on pages 14 to 28 form part of the financial statements.

# JPMorgan Life Limited

## Statement of financial position as at 31 December 2018

	Note	2018 £000	2017 £000
<b>Assets</b>			
<b>Investments:</b>			
Other financial investments	11	-	66,098
<b>Assets held to cover linked liabilities</b>	12	1,842,823	2,068,424
<b>Debtors:</b>			
Debtors arising out of direct insurance operations		3,891	3,903
Other debtors		105	2,840
<b>Other assets:</b>			
Cash at bank and in hand		71,580	23,489
<b>Total assets</b>		<b>1,918,399</b>	<b>2,164,754</b>
<b>Liabilities</b>			
<b>Capital and reserves:</b>			
Called up share capital	13	7,000	7,000
Capital contribution reserve		25,500	25,500
Retained earnings		40,134	39,528
<b>Total shareholder's funds</b>		<b>72,634</b>	<b>72,028</b>
<b>Technical provisions for linked liabilities</b>	14	<b>1,834,438</b>	<b>2,065,176</b>
<b>Provisions for other risks and charges</b>	15	<b>51</b>	<b>64</b>
<b>Creditors:</b>			
Amounts owed to credit institutions	16	302	894
Other creditors including taxation and social security	17	10,974	26,592
<b>Total liabilities</b>		<b>1,918,399</b>	<b>2,164,754</b>

The financial statements on pages 11 to 28 were approved by the Board of Directors on 17 April 2019 and signed on its behalf by:



P Farrell  
Director

Company registered number: 03261506

The notes on pages 14 to 28 form part of the financial statements.

# JPMorgan Life Limited

## Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Total shareholder's funds £000
At 1 January 2018	7,000	25,500	39,528	72,028
Profit for the financial year	-	-	606	606
<b>At 31 December 2018</b>	<b>7,000</b>	<b>25,500</b>	<b>40,134</b>	<b>72,634</b>

	Called up share capital £000	Capital contribution reserve £000	Retained earnings £000	Total shareholder's funds £000
At 1 January 2017	7,000	25,500	37,266	69,766
Profit for the financial year	-	-	2,262	2,262
<b>At 31 December 2017</b>	<b>7,000</b>	<b>25,500</b>	<b>39,528</b>	<b>72,028</b>

The following describes the nature and purpose of each reserve within equity:

- Called up share capital - nominal value of share capital subscribed for.
- Capital contribution reserve - additional capital provided by the immediate parent undertaking.
- Retained earnings - all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The notes on pages 14 to 28 form part of the financial statements.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1. Accounting policies

#### General information

The Company is a private company and is incorporated and domiciled in the UK. The address of its registered office is 25 Bank Street, Canary Wharf, London, E14 5JP.

#### Basis of preparation

The financial statements have been prepared in accordance with FRS101 and the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") relating to insurance companies.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by JPMorgan Chase & Co.

#### Changes in accounting policy

During the period the Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. There were no reclassifications or adjustments arising from their adoption.

#### Adoption of IFRS 9

Effective 1 January 2018, the Company adopted IFRS 9 Financial instruments, which superseded IAS 39 Financial Instruments Recognition and Measurement. The adoption of IFRS 9 did not result to in any changes to the classification and measurement of financial assets. Refer to note 'Other financial investments and assets held to cover linked liabilities' for more information about the Company's accounting policies.

#### Adoption of IFRS 15

Effective 1 January 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers (IFRS 15). IFRS 15 requires that revenue from contracts with customers be recognised upon transfer of control of a good or service in the amount of consideration expected to be received. IFRS 15 also changes the accounting for certain contract costs, including whether they may be offset against revenue in the statement of comprehensive income, and requires additional disclosures about revenue and contract costs.

IFRS 15 permits adoption using a full retrospective approach or a modified, cumulative effect approach wherein the guidance is applied only to existing contracts as of the date of adoption, and to new contracts transacted after that date. The Company adopted IFRS 15 using the full retrospective method.

The adoption of IFRS 15 did not result in any material changes in the timing of recognition or in the presentation of the Company's revenue.

Refer to note 'Revenue recognition' for more information about the Company's accounting policies



# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 1. Accounting policies (continued)

#### Other financial investments and assets held to cover linked liabilities

##### (i) Derivative financial instruments

Derivative contracts are held at fair value. Fair values of derivatives are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including valuations supplied by counterparties, as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The foreign currency denominated exposures are translated into sterling at rates of exchange ruling on the balance sheet date. Any realised or unrealised foreign exchange gain or loss resulting from forward foreign exchange contracts and foreign currency denominated exposures are taken to the profit and loss account.

##### (ii) Financial assets and liabilities

The Company recognises financial instruments from the trade date, and continues to recognise them until, in the case of assets, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership, or in the case of liabilities, until the liability has been settled, extinguished or has expired.

Investments are classified as financial assets at fair value through profit or loss. Investments are designated under this category upon initial recognition and this is consistent with the Group's risk management framework.

Realised and recognised gains or losses arising from changes in fair value are included in the profit and loss account of the period in which they arise.

##### (iii) Impairment of financial assets

The Company's approach to measuring expected credit losses ("ECLs") depends on the type of instrument.

##### Charges receivable

For charges receivable arising from contracts with customers, the Company applies a provision matrix as a practical expedient for calculating expected credit losses. The matrix provides that a receivable is considered to have had a significant increase in credit risk ("SICR") if it is 90 days past due and credit-impaired, if it is 180 days past due at which point an ECL for 100% of the amount owned is recognised.

##### Other financial instruments

The Company has determined that ECLs on other financial instruments are immaterial due to: the existence of credit risk mitigants such as the credit quality (e.g. investment-grade); and/or the short-term nature of the instrument. Similarly the Company has determined that these other financial instruments are without SICR due to the credit quality and/or the short-term nature of the instrument.

For inter-company loans and receivables, the Company evaluates the counterparty based on the Firm's resolution and recovery plan, tenor of the loan/receivable, and any collateral received. The Company has not experienced any losses on inter-company loans and receivables.

The Company continues to monitor its financial instruments to ensure the described framework is appropriate and its exposure to credit risk and ECLs on these instruments are adequately reflected in the allowance for credit losses.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 1. Accounting policies (continued)

#### Revenue recognition

##### Recognition

The company earns revenue from the provision of investment management services for corporate pension arrangements in the UK. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model;

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

##### Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

##### Performance obligations

Investment management fees arise from the provision of investment management services for corporate pension arrangements in the UK. Investment management services are satisfied over time as the services are provided and are typically based upon a percentage of the value of the client's assets under management. Any fees collected in advance are deferred and recognised as income over the period in which services are rendered.

##### Transaction price

Transaction price is determined based on the transaction price negotiated with the customer, net of rebates and value added tax.

##### Investment income

Investment income is accounted for on an accruals basis (net of any applicable VAT). Investment income on long term business fund investments includes income on collective investment schemes and is included in the long term business technical account. Investment income on shareholder fund investments is dealt with through the non-technical account.

##### Other technical income, net of reinsurance

Other technical income is recognised net of any applicable VAT on an accruals basis.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 1. Accounting policies (continued)

#### Unit-linked investment contracts

All of the contracts issued by the Company are unit-linked contracts which are classified as investment contracts as the contracts transfer financial risk with no significant insurance risk. Amounts received in respect of investment contracts are accounted for using deposit accounting and are credited directly to the statement of financial position as an adjustment to the liability to the policyholder. Amounts paid to investment contract holders are debited directly to the statement of financial position liability. Financial liabilities are carried in the statement of financial position as 'Investment contract liabilities'.

Movements arising on contract balances are recognised in the statement of comprehensive income (shown as 'Change in other technical provisions, net of reinsurance: Technical provisions for linked liabilities') to reflect movements in the gains and losses from the matching linked assets.

Charges receivable from unit-linked investment contracts are included in the statement of comprehensive income (included in 'Other technical income, net of reinsurance') on an accruals basis when the performance obligations are satisfied.

#### Technical provision for unit-linked investment contracts

Liabilities under unit-linked investment contracts are recognised when the notional units are created and are dependent on the value of the underlying financial assets. The basis of the valuation is the number of notional units in issue multiplied by the unit price, which is driven by the valuation of the underlying assets. Financial liabilities for unit-linked investment contracts are carried in the statement of financial position at amortised cost, which is equivalent to the amount payable on demand without penalty and also the fair value of these financial liabilities.

#### Income and expenditure

Income and expenditure are included on an accruals basis.

#### Foreign currency

Monetary assets and liabilities held in foreign currencies at the statement of financial position date are expressed in sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling on the date on which the transaction occurs. All resulting exchange gains or losses are dealt with in the statement of comprehensive income.

#### Cash and cash equivalents

This includes deposits held at call with banks and cash in hand.

#### Amounts owed to group undertakings

Amounts owed to group undertakings are recognised at amortised cost.

#### Taxation

Provision is made for deferred tax liabilities, using the liability method, arising from all material temporary differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation.

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

The transfer of the balance on the long-term business technical account to the non-technical account is grossed up by attributable tax, using the effective rate of tax applicable for the period.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk

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

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Separate portfolios of assets are maintained for the unit-linked funds and corporate assets. The following tables set out the assets and matching liabilities of these funds reconciled to the statement of financial position.

	Unit-linked policyholders' funds £000	Corporate £000	Total £000
As at 31 December 2018:			
<b>Assets</b>			
Other financial investments	-	-	-
Assets held to cover linked liabilities	1,842,823	-	1,842,823
Debtors arising out of direct insurance operations	-	3,891	3,891
Other debtors	-	105	105
Cash at bank and in hand	-	71,580	71,580
Accrued interest	-	-	-
Seed capital (note 11)	-	-	-
<b>Total assets</b>	<b>1,842,823</b>	<b>75,576</b>	<b>1,918,399</b>
<b>Liabilities</b>			
Shareholder's funds	-	72,634	72,634
Technical provisions for linked liabilities	1,834,438	-	1,834,438
Provisions for other risks	-	51	51
Amounts owed to credit institutions	-	302	302
Other creditors including taxation and social security	8,385	2,589	10,974
<b>Total liabilities</b>	<b>1,842,823</b>	<b>75,576</b>	<b>1,918,399</b>
As at 31 December 2017:			
<b>Assets</b>			
Other financial investments	66,098	-	66,098
Assets held to cover linked liabilities	2,068,424	-	2,068,424
Debtors arising out of direct insurance operations	-	3,903	3,903
Other debtors	1	2,839	2,840
Cash at bank and in hand	1,855	21,634	23,489
Accrued interest	-	-	-
Seed capital (note 11)	(67,720)	67,720	-
<b>Total assets</b>	<b>2,068,658</b>	<b>96,096</b>	<b>2,164,754</b>
<b>Liabilities</b>			
Shareholder's funds	-	72,028	72,028
Technical provisions for linked liabilities	2,065,176	-	2,065,176
Provisions for other risks	-	64	64
Amounts owed to credit institutions	894	-	894
Other creditors including taxation and social security	2,588	24,004	26,592
<b>Total liabilities</b>	<b>2,068,658</b>	<b>96,096</b>	<b>2,164,754</b>

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk (continued)

#### Market risk

Unit-linked funds are managed to provide returns in line with expectations of policyholders. Market and credit risks in these funds are borne by policyholders. The Company manages these risks by setting investment guidelines for each fund which restrict market and counterparty exposures depending on each fund's investment objectives. The policyholder liabilities exactly match the net assets held within the funds and therefore the Company is only exposed to the risk of lower management charges from a fall in the value of policyholder assets. The Company receives management charges based on the market value of policyholder funds and its management charge income is therefore subject to changes in the market value of policyholder assets. Management charge income will therefore be affected by lower market prices and higher volatility.

Financial risks within corporate assets are borne by the Company. Corporate assets are invested to protect capital and to minimise market and credit risk. With the exception of seed capital, these assets are invested in deposit accounts with J.P.Morgan and third party banks. Each month the Company monitors the credit ratings for the banks where it has deposit accounts.

The Company may also provide seeding for new internal funds. To reduce the exposure to market risk the Company hedges its seed capital investments. The Company has no other corporate assets which are directly exposed to market risk.

The Company has little currency risk as all policyholder contracts are sterling denominated. Foreign currency investments may be held in policyholder funds where the currency risk is borne by policyholders.

Use of derivatives is limited but may be used to gain market exposures or to hedge foreign currency investments in policyholder funds and seed capital. All derivatives are recorded at fair value.

#### Credit risk

Credit risk is managed by closely monitoring the non-linked assets where the Company is exposed. The Company does not pursue credit risk as a way of generating shareholder return. Credit risk in policyholder funds is borne by policyholders.

The assets bearing credit risk excluding those in 'Assets held to cover linked liabilities' are summarised below:

	2018	2017
	£000	£000
Seed capital - debt securities and other fixed interest securities	-	1,729
Seed capital - derivative contracts	-	399
Debtors arising out of direct insurance operations	3,891	3,903
Other debtors	105	2,840
Cash at bank and in hand	71,580	23,489
<b>Total assets bearing credit risk</b>	<b>75,576</b>	<b>32,360</b>

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk (continued)

#### Liquidity risk

Liquidity risk in policyholder funds is managed by investing only in readily realisable investments.

The table below provides a maturity analysis of the Company's financial liabilities, including those which would be met from investment policyholder assets:

	Due in less than 1 year £000	Due in more than 1 year £000	Total £000
As at 31 December 2018:			
Technical provisions for linked liabilities	1,834,438	-	1,834,438
Creditors	4,872	-	4,872
Derivative creditors	6,053	-	6,053
<b>Financial liabilities</b>	<b>1,845,363</b>	<b>-</b>	<b>1,845,363</b>
As at 31 December 2017:			
Technical provisions for linked liabilities	2,065,176	-	2,065,176
Creditors	23,817	-	23,817
Derivative creditors	2,396	-	2,396
<b>Financial liabilities</b>	<b>2,091,389</b>	<b>-</b>	<b>2,091,389</b>

Financial liabilities under unit-linked investment contracts do not have contractual maturity dates and are shown as due in less than one year for disclosure purposes. These liabilities do not pose a material liquidity risk as there are matching policyholder assets which could be realised to meet surrenders as and when they arise.

The Company is required to calculate a Minimum Capital Requirement (MCR) and a Solvency Capital Requirement (SCR) using the standard formula approach. In addition to this the Company is required to carry out an Own Risk and Solvency Assessment (ORSA) of the capital required to meet its liabilities in all reasonably foreseeable circumstances. The overall capital management objective is to maintain surplus capital in excess of the MCR, SCR and ORSA capital requirements, and to maintain appropriate additional margins over this to absorb changes in both capital resources and capital requirements.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk (continued)

#### Capital management

The Company's regulatory capital position is summarised below:

	2018	2017
	£000	£000
Shareholder's funds	72,634	72,028
Adjustments onto regulatory basis	(113)	38
Total available own funds	72,521	72,066

Stress testing is performed to verify that the Company will be able to maintain available own funds in excess of its capital requirements over a five year period under a number of stress scenarios, taking into consideration:

- the level of available own funds over capital requirement;
- actions that could be taken to preserve available own funds; and
- the ability to access additional funds, if required.

Capital projections are based on the current financial resources of the Company and expected flows from its operations, with stress tests being applied to the economic value of assets and earnings at risk. Reverse stress testing is also carried out and documented in the ORSA.

As a general principle, the Company does not have any significant appetite for risk above the level that is commercially required for the operation of a life insurer writing unit-linked business and is consistent with its long term sustainability. The main policies adopted to manage risks to the capital position are to closely match the profile of policyholder assets and liabilities and to invest shareholder funds in money market funds and demand deposit accounts, in order to minimise exposures to market and credit risk, as described above. The capital position is sensitive to changes in market conditions. The most significant sensitivity arises from market risk in relation to the Company's investment to provide seeding for new internal funds. The management of the Company has a defined set of principles, which the business is required to operate and which constitute the appetite for the business for taking risk.

The Company's capital management policy is to ensure that adequate available own funds are maintained at all times. The Company carries a significant surplus of available own funds over the minimum requirement to accommodate both business developments and unforeseen events. Dividends are paid up periodically, subject to regulatory and tax rules (where applicable), to distribute profit to the parent group. Dividend payments are subject to a formal approval process by the Board and the PRA. Dividends will only be payable after the Board has considered the current and future expected capital position of the Company and at all times dividends must be able to be cancelled after declaration. In declaring a dividend, the Company would consider advice from the actuarial function holder and anticipated business developments.

Policyholder liabilities, being the technical provision for linked liabilities of £1,834,438,000 (2017: £2,065,176,000), relate solely to insurance business accounted for as financial instruments in accordance with the requirements of FRS101.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk (continued)

#### Fair value estimation

The following table presents the financial instruments held at fair value in the statement of financial position by valuation method. The different levels have been defined as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial instruments measured at fair value are as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>At 31 December 2018:</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Other financial investments				
- Shares and other variable yield securities	-	-	-	-
- Holdings in collective investment schemes	-	-	-	-
- Debt securities and other fixed interest securities	-	-	-	-
- Derivative contracts	-	-	-	-
Assets held to cover linked liabilities:				
- Shares and other variable yield securities	1,000,388	14,990	-	1,015,378
- Holdings in collective investment schemes	600,412	-	-	600,412
- Debt securities and other fixed interest securities	-	177,041	-	177,041
- Derivative contracts	-	2,263	-	2,263
	1,600,800	194,294	-	1,795,094
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Technical provisions for linked liabilities	1,834,438	-	-	1,834,438
Other creditors including taxation and social security				
- Derivatives	-	6,053	-	6,053
	1,834,438	6,053	-	1,840,491
<b>At 31 December 2017:</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Other financial investments				
- Shares and other variable yield securities	8,407	99	-	8,506
- Holdings in collective investment schemes	55,451	-	-	55,451
- Debt securities and other fixed interest securities	-	1,729	-	1,729
- Derivative contracts	-	412	-	412
Assets held to cover linked liabilities:				
- Shares and other variable yield securities	1,443,973	12,469	-	1,456,442
- Holdings in collective investment schemes	456,110	-	-	456,110
- Debt securities and other fixed interest securities	-	97,116	-	97,116
- Derivative contracts	-	2,736	-	2,736
	1,963,941	114,561	-	2,078,502
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Technical provisions for linked liabilities	2,065,176	-	-	2,065,176
Other creditors including taxation and social security				
- Derivatives	-	2,396	-	2,396
	2,065,176	2,396	-	2,067,572

The fair value of financial instruments traded in active markets is based on quoted prices as described in the accounting policies. These instruments are included in Level 1.



# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 2. Management of financial risk (continued)

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There have been no significant transfers between Level 1 and Level 2 financial instruments during the year (2017: nil). There have been no significant changes in Level 3 financial instruments during the year (2017: nil). The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### 3. Particulars of business

All business arises from the provision of unit-linked pension contracts in the United Kingdom.

All premiums and claims relate to investment contracts and are not recognised in the statement of comprehensive income but are credited or debited directly to the statement of financial position as shown in note 14.

### 4. Investment income

	Technical Account 2018 £000	Non-technical Account 2018 £000	Technical Account 2017 £000	Non-technical Account 2017 £000
Income from other investments	40,430	-	39,211	4
Gains on the realisation of investments	92,814	-	374,815	-
Investment income	133,244	-	414,026	4
Unrealised losses on investments	(283,619)	-	(79,610)	-
Total investment return	(150,375)	-	334,416	4

All investment income and gains arise from investments at fair value through profit or loss designated as such upon initial recognition.

### 5. Other technical income, net of reinsurance

	2018 £000	2017 £000
Charges receivable from unit-linked investment contracts	8,237	7,086
Management fee rebates from group companies	74	956
Other income	8,311	8,042

Where a service is transferred to the customer before the customer pays consideration, or before payment is due, these amounts are included as accrued income. Where the company has an unconditional right to consideration for the services supplied and performance obligations delivered, these amounts are included as Charges receivable from unit-linked investment contracts.

### 6. Net operating expenses

The net operating expenses charged to the technical account are administrative expenses including charges for custody and fund administration services. Operating expenses include auditors' remuneration of £58,000 (2017: £61,000) for the audit of financial statements and £36,000 (2017: £39,000) for non-audit services, being the audit of regulatory returns.

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 7. Staff numbers and costs

The Company had no direct employees during the year (2017: nil). Staff costs are included in recharges from other group undertakings, but it is not possible to separately identify the element of the recharges relating to staff costs.

### 8. Directors

	2018 £000	2017 £000
Aggregate emoluments	389	907
Total defined contribution pension payments for all directors	3	3
Aggregate amounts receivable (excluding shares) under long-term incentive schemes	38	1

#### Retirement benefits:

	2018 No.	2017 No.
Number of directors to whom defined contribution pension rights accrued	2	2
Number of directors who received shares as part of long-term incentive schemes	4	1
Number of directors who exercised share options	1	-

#### Highest paid director:

	2018 £000	2017 £000
Emoluments of highest paid director	80	767
Total amount contributed to the defined contribution scheme for the highest paid director	1	-
The highest paid director did (Yes) or did not (No) have shares received or receivable under long-term incentive schemes	Yes	No
The highest paid director did (Yes) or did not (No) exercise any share options during the year	No	No

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 receive emoluments for non-qualifying services, which are not required to be disclosed.

### 9. Investment expenses and charges

	2018 £000	2017 £000
Investment management expenses	5,918	5,321

### 10. Taxation

	Technical Account 2018 £000	Non-technical Account 2018 £000	Technical Account 2017 £000	Non-technical Account 2017 £000
UK corporation tax at 19% (2017: 19.25%)	156	-	550	1
Deferred tax	(14)	-	(14)	-
Notional tax attributable to shareholder's long-term business profit	-	142	-	539
Adjustment in respect of prior years	-	-	(9)	-
	142	142	527	540

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 10. Taxation (continued)

#### Reconciliation of the tax charge for year

Tax expense for the year is equal (2017: equal) to the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%).

	2018 £000	2017 £000
Profit on ordinary activities before tax	748	2,802
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	142	540
<b>Tax charge for year</b>	<b>142</b>	<b>540</b>

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

#### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using enacted tax rates and reflected in the financial statements.

### 11. Other financial investments

	Carrying value 2018 £000	Book cost 2018 £000	Carrying value 2017 £000	Book cost 2017 £000
Derivative assets held to cover seed capital hedge	-	-	13	-
Seed capital (see below)	-	-	66,085	60,718
Other financial investments	-	-	66,098	60,718
Assets held to cover linked liabilities not including derivative contracts	1,792,831	1,809,499	2,009,668	1,756,188
Financial assets at fair value through profit or loss designated upon initial recognition	1,792,831	1,809,499	2,075,766	1,816,906
Derivative assets held to cover linked liabilities	2,263	-	2,736	-
Financial assets at fair value through profit or loss	1,795,094	1,809,499	2,078,502	1,816,906
Other assets	47,729	47,729	56,020	56,020
	<b>1,842,823</b>	<b>1,857,228</b>	<b>2,134,522</b>	<b>1,872,926</b>

Seed capital in the linked funds comprises the following assets:

	Carrying value 2018 £000	Book cost 2018 £000	Carrying value 2017 £000	Book cost 2017 £000
Shares and other variable yield securities	-	-	8,506	7,304
Holdings in collective investment schemes	-	-	55,451	51,747
Debt securities and other fixed interest securities	-	-	1,729	1,667
Derivative contracts	-	-	399	-
Other financial investments	-	-	66,085	60,718
Other net assets	-	-	1,729	1,703
Derivative contract liabilities (included in creditors note 17)	-	-	(94)	-
	<b>-</b>	<b>-</b>	<b>67,720</b>	<b>62,421</b>

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 12. Assets held to cover linked liabilities

	Carrying value 2018 £000	Book cost 2018 £000	Carrying value 2017 £000	Book cost 2017 £000
Assets held to cover linked liabilities	1,842,823	1,857,228	2,068,424	1,807,082

Assets held to cover linked liabilities comprise:

	Carrying value 2018 £000	Carrying value 2017 £000
Shares and other variable yield securities	1,015,378	1,456,442
Holdings in collective investment schemes	600,412	456,110
Debt securities and other fixed interest securities	177,041	97,116
Derivative contracts	2,263	2,736
Financial instruments at fair value through profit or loss	1,795,094	2,012,404
Other assets	47,729	56,020
	<b>1,842,823</b>	<b>2,068,424</b>

The fair value of the derivative contracts represents the unrealised gain or loss on the contracts which has been reflected in the statement of comprehensive income. The fair value of the derivative contracts was as follows:

Assets held to cover linked liabilities	Assets 2018 £000	Liabilities 2018 £000	Assets 2017 £000	Liabilities 2017 £000
Forward currency contracts	578	4,657	1,427	916
Futures contracts	1,685	1,396	1,309	516
	<b>2,263</b>	<b>6,053</b>	<b>2,736</b>	<b>1,432</b>

The derivative liabilities are separately disclosed in note 17.

### 13. Called up share capital

	2018 £000	2017 £000
Authorised		
15,000,000 (2017: 15,000,000) ordinary shares of £1 each	15,000	15,000
Issued and fully paid		
7,000,000 (2017: 7,000,000) ordinary shares of £1 each	7,000	7,000

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 14. Technical provisions for linked liabilities

	2018	2017
	£000	£000
Brought forward	2,065,176	1,909,774
Receipts from policyholders under investment contracts	360,331	250,613
Payments to policyholders of investment contracts	(432,564)	(419,611)
Charges receivable from policyholders of investment contracts	(8,236)	(7,086)
Change in technical provisions shown in the technical account	(150,269)	331,486
Carried forward	1,834,438	2,065,176

The change in technical provisions shown in the technical account is in respect of investment contracts which are financial liabilities measured at amortised cost. This comprises principally the allocation of the net investment return to policyholders of investment contracts less allowances for tax and charges.

### 15. Provisions for other risks and charges

	2018	2017
	£000	£000
Provision for deferred taxation brought forward	64	78
Charge to the profit and loss account	(13)	(14)
Provision for deferred taxation carried forward	51	64

The provision for deferred taxation relates to:

Technical provision adjustments	42	54
Other	9	10
	51	64

### 16. Amounts owed to credit institutions

	2018	2017
	£000	£000
Bank overdrafts	302	894

### 17. Other creditors including taxation and social security

	2018	2017
	£000	£000
Amounts owed to group undertakings	574	20,889
Corporation tax	49	379
Derivatives	6,053	2,396
Other creditors	4,298	2,928
	10,974	26,592

Amounts due to group undertakings generally are unsecured, interest free and repayable on demand. Amounts owed to group undertakings included a loan from JPMorgan Asset Management (UK) Limited at an interest rate that was agreed between the two parties on a quarterly basis. This was repaid during 2018 and the balance of the outstanding loan at the end of 2018 was £nil (2017: £20,000,000).

# JPMorgan Life Limited

## Notes to the financial statements for the year ended 31 December 2018 (continued)

### 18. Related party transactions

As the Company is wholly owned subsidiary undertaking it has taken advantage of an exemption under FRS101 and has not disclosed transactions with other wholly owned group companies.

During the year the following material transactions took place with related parties which are not group companies:

#### (a) JPMorgan collective investment schemes

The Company has invested in collective investment schemes managed by group companies with a value of £542,510,000 as at 31 December 2018 (2017: £453,915,000). Management fee rebates are receivable from group companies on these investments as shown in note 5.

#### (b) JP Morgan Chase group pension schemes

The JPMC UK Retirement Plan invests in the Company's products. Assets managed on behalf of the plan are recorded as assets held to cover linked liabilities.

Movements in assets managed on behalf of the plans during the year were as follows:

	2018 £000	2017 £000
Assets brought forward	75,094	762,342
Subscriptions	2,880	111,908
Redemptions	(5,453)	(880,283)
(Decrease)/increase in value of assets	(4,673)	81,127
Assets carried forward	67,848	75,094

Charges of £180,000 with respect to the plans were due at 31 December 2018 (2017: £132,000).

### 19. Charges on assets

The Company has granted floating charges to certain insurance companies to secure liabilities under reinsurance contracts such that those liabilities rank pari passu with other liabilities under direct insurance contracts. The charges are secured on the long-term insurance assets of the Company.

### 20. Ultimate parent undertaking

The immediate parent undertaking is JPMorgan Asset Management Holdings (UK) Limited, registered in England and Wales.

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

The consolidated financial statements of JPMorgan Chase & Co. and are available to the public and may be obtained from the Company's registered office at:

The Company Secretary  
25 Bank Street  
London  
E14 5JP