

MAX RECOVERY LIMITED
(Registered Number: 4994176)

Annual report for the year ended 31 December 2015

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MAX RECOVERY LIMITED
Annual report for the year ended 31 December 2015

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MAX RECOVERY LIMITED

Strategic report for the year ended 31 December 2015

The directors present their strategic report of Max Recovery Limited (the "Company") for the year ended 31 December 2015. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase").

Principal activity

The principal activity of the Company is the purchase and recovery of certain distressed debt from various third parties, predominantly in Europe.

Adoption of revised financial reporting standards

The Financial Reporting Council issued new financial reporting standards ("FRSs") in the UK and Republic of Ireland for accounting periods beginning on or after 1 January 2015. The new standards fundamentally reform United Kingdom Generally Accepted Accounting Practices ("UK GAAP"), replacing the previous standards ("previous UK GAAP").

The Company has adopted FRS 101 "Reduced Disclosure Framework" ("FRS 101"), with a transition date of 1 January 2014. FRS 101 applies the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union with reduced disclosures.

Unless otherwise stated, all amounts in these financial statements are reported in accordance with FRS 101, and the terms FRS 101 and UK GAAP are used interchangeably. There was no impact on the Company's balance sheet and statement of total comprehensive income as a result of adopting FRS 101.

Review of business and future outlook

The results for the year are set out on page 8 and show the Company's profit for the financial year is \$25,768,000 (2014: \$49,778,000). Decreased profit driven by decrease in distressed debt portfolio held and reduced yield.

The directors were satisfied with the performance of the Company. The directors do not expect any change in the Company's activities in the coming year.

On 23 June 2016, the United Kingdom ("UK") conducted a referendum and voted to leave the European Union. Many international banks, including the Firm, operate substantial parts of their European Union business from entities based in the UK. Upon the UK leaving the European Union, the regulatory and legal environment that would then exist, and to which the Firm's UK operations would then be subject, will depend on, in certain respects, the nature of the arrangements agreed with the European Union and other trading partners.

These arrangements cannot be predicted, but currently the Firm does not believe any of the likely identified scenarios would threaten the viability of the Firm's business units or the Firm's ability to serve clients across the European Union and in the UK. However, it is possible that under some scenarios, changes to the Firm's legal entity structure would be required, which might result in a less efficient operating model across the Firm's European legal entities.

The Company has foreign currency exposure on its GBP denominated financial assets designated at fair value through profit and loss which represents certain distressed debt. The foreign currency exposure is offset by GBP funding provided by another JPMorgan Chase undertaking. The value of these assets and funding has decreased as a result of the change in foreign exchange rate. The impact on the distressed debt and the ability to repay will continue to be monitored.

Directors do not at this time foresee any material impact to the Company's business model and risks in the medium term.

Principal risks and uncertainties

The Company faces various risks that are inherent in its business. The Company's risk and uncertainties are integrated with that of the Firm. The Firm's framework for managing risks and its risk management procedures and practices may not be effective in identifying and mitigating every risk, thereby resulting in losses at the Company level. The following are key factors that could substantially affect the business of the Company:

Market risk

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameter are:

- Interest rates - Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates;
- Foreign Exchange Rates - Foreign exchange rate risk results from exposure to changes in prices and volatility of currency rates.

MAX RECOVERY LIMITED

Strategic report for the year ended 31 December 2015 (continued)

Principal risks and uncertainties (continued)

Risk identification and classification

The line of business is responsible for the management of the market risks within its unit. The independent risk management group is responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Further details on market risk are provided in note 20 to the financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets.

Due to the nature of the business conducted by the Company, and the fact that its sole source of capital is the Firm, the directors do not consider liquidity risk to be material. As obligations are paid to counterparties on the signing of the contract in the majority of its deals, there is a low level of outstanding obligations to counterparties.

Further details on liquidity risk are provided in note 20 to the financial statements.

Credit risk

The financial condition of the Company's customers, clients and counterparties, could adversely affect the Company.

Credit Risk is managed by the Firm on a global level. The Firm has developed credit risk policies and practices to which the Company is subject and credit risk is monitored by the Company and risk teams. The Company uses its extensive data set and publicly available data to price its purchases conservatively and its pricing models take into account the likely failure of a proportion of the insolvency accounts in the portfolios purchased. Individual consumers are all in statutory insolvency plans in order that they might make affordable payments. There are no significant obligations due from counterparties to portfolio purchases and all counterparties are subject to the Firm's rigorous "Know Your Customer" process. Therefore, the directors do not consider credit risk to be material.

Further details on credit risk are provided in note 20 to the financial statements.

Capital risk

Capital adequacy is of critical importance to the Company. The directors are responsible for setting the objectives, policies and processes relating to the management of the Company's capital.

The Company is not subject to any externally imposed capital requirements.

Further details on capital management in the Company are provided in note 21 to the financial statements.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related. Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behaviour of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Company and the Firm. The goal is to keep operational risk at appropriate levels, in light of the Company's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive environment to which it is subject.

Operational Risk Management Framework

To monitor and control operational risk, the Firm maintains an overall Operational Risk Management Framework ("ORMF") which comprises governance oversight, risk assessment, capital measurement, and reporting and monitoring. The ORMF is intended to enable the Firm to function with a sound and well-controlled operational environment.

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and to provide independent oversight of its implementation. In 2014, Operational Risk Officers ("OROs") were appointed across each line of business and corporate function to provide this independent oversight.

The lines of business and corporate functions are responsible for implementing the ORMF. The Firmwide Oversight and Control Group, comprised of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day review and monitoring of ORMF execution.

MAX RECOVERY LIMITED

Strategic report for the year ended 31 December 2015 (continued)

Key performance indicators (KPIs)

The results are monitored against expectations of the business activities. The board of directors monitors progress on the performance of the Company by reference to the following KPIs:

	2015	2014
Earnings		
Profit after taxation (\$'000)	25,768	49,778
Capital & Balance sheet		
Total assets (\$'000)	328,483	321,548
Return on assets	8%	15%

Corporate employee policy

It is the policy of the Company to ensure equal opportunity for all persons without discrimination on the basis of race, colour, religion, sex, national origin, age, handicap, veteran status, marital status, or sexual orientation or any other basis. This policy of equal opportunity applies to all employment practices including, but not limited to, recruiting, hiring, promotion, training and compensation.

Where existing employees become disabled, it is the Company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

With the aim of ensuring that views are taken into account when decisions are made employee consultation has continued at all levels where it is likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the intranet and other forums.

JPMorgan Chase Bank, N.A. operates an employee share scheme for all employees of JPMorgan Chase & Co. and its subsidiaries, to acquire a proprietary and vested interest in the growth and performance of the Firm.

Approved by the Board of Directors and signed on behalf of the Board by a Director of the Company

Director



Director
M Norris

20 September 2016

MAX RECOVERY LIMITED

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of Max Recovery Limited (the "Company") for the year ended 31 December 2015. The Company's registration number is 4994176. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase").

Results and dividends

The results for the year are set out on page 8 and show the Company's profit for the financial year is \$25,768,000 (2014: \$49,778,000).

The Company's net assets as at 31 December 2015 were \$223,683,000 (2014: \$197,915,000). The position of the Company is set out on page 9.

No dividends were paid or proposed during the year (2014: nil).

Post balance sheet event

On 23 February 2016, the Company became an authorised and regulated entity by the Financial Conduct Authority ("FCA"). The FCA registration number of the Company is 720206.

Directors

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

D.A. Fellowes-Freeman

M.G. Norris

C.L. Countryman (Resigned 18 June 2015)

M.P. Melling (Appointed 18 June 2015)

Directors' interests

None of the directors has any beneficial interest in the Company. The Company is a subsidiary of a company incorporated in United States of America. 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

MAX RECOVERY LIMITED

Directors' report for the year ended 31 December 2015 (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 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 secretary

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

J.P. Morgan Secretaries (UK) Limited.

Registered address

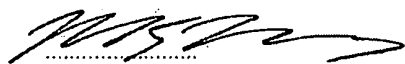
25 Bank Street
Canary Wharf
London E14 5JP
England

Independent auditors

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

Approved by the Board of Directors and signed on behalf of the Board by a Director of the Company

Director



Director
M Norris

20 September 2016

Independent auditors' report to the members of Max Recovery Limited

Report on the financial statements

Our opinion

In our opinion, Max Recovery Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 December 2015;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Max Recovery Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Paolo Taurae (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

20 September 2016

MAX RECOVERY LIMITED**Income statement for the year ended 31 December 2015**

		2015	2014
	Notes	\$'000	\$'000
Operating income	5	52,670	72,824
Administrative expenses	10	(14,232)	(17,242)
Other (expense)/income	6	(5,883)	8,314
Operating profit		32,555	63,896
Interest receivable and similar income	8	328	157
Interest payable and similar charges	9	(849)	(588)
Profit on ordinary activities before taxation	10	32,234	63,465
Tax on profit on ordinary activities	11	(6,466)	(13,687)
Profit for the financial year		25,768	49,778

There were no other items of comprehensive income or expense and therefore, no statement of comprehensive income or expense has been separately presented.

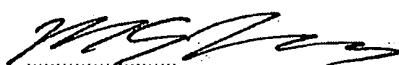
The notes on pages 11 - 24 form an integral part of these financial statements.

MAX RECOVERY LIMITED
Balance sheet as at 31 December 2015

		2015	2014
	Notes	\$'000	\$'000
Current assets			
Financial assets designated at fair value through profit or loss	12	101,802	141,950
Debtors	14	219,057	178,694
Cash at bank and in hand	15	5,604	902
		326,463	321,546
Creditors: amounts falling due within one year	16	(102,780)	(123,631)
Net current assets		223,683	197,915
Net assets		223,683	197,915
Equity			
Called-up share capital	17	5,000	5,000
Retained earnings		218,683	192,915
Total equity		223,683	197,915

The financial statements on pages 8 to 24 were approved by the Board of Directors on 20/9/16 2016 and signed on its behalf by:

Director



Director

M Norris

The notes on pages 11 - 24 form an integral part of these financial statements

20 September 2016

MAX RECOVERY LIMITED**Statement of changes in equity for the year ended 31 December 2015**

	Called-up share capital	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance as at 1 January 2014	5,000	143,137	148,137
Profit for the year	—	49,778	49,778
Total comprehensive income for the year	—	49,778	49,778
Balance as at 31 December 2014	5,000	192,915	197,915
Profit for the year	—	25,768	25,768
Total comprehensive income for the year	—	25,768	25,768
Balance as at 31 December 2015	5,000	218,683	223,683

The notes on pages 11 - 24 form an integral part of these financial statements.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015

1. General information

The Company is incorporated and domiciled in England and Wales. The address of its registered office is 25 Bank Street, Canary Wharf, London, E14 5JP. The Company's immediate parent undertaking is The Bear Stearns Companies LLC, incorporated in United States of America. The Company's ultimate parent undertaking and controlling party is JPMorgan Chase & Co. (the "Firm" or "JPMorgan Chase"), which is incorporated in the state of Delaware in the United States of America. The parent undertaking of the smallest and largest Group in which the Company's results are consolidated is JPMorgan Chase & Co. The largest and smallest parent groups' consolidated financial statements can be obtained from the Company's registered office.

2. Basis of preparation

The Financial Reporting Council revised financial reporting standards ("FRSs") in the UK and Republic of Ireland for accounting periods beginning on or after 1 January 2015. The revisions fundamentally reform United Kingdom Generally Accepted Accounting Practices ("UK GAAP"), replacing the previous standards ("previous UK GAAP").

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, with reduced disclosures. The Company has adopted FRS 101 with a transition date of 1 January 2014. The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006.

There was no impact on the Company's balance sheet and income statement as a result of adopting FRS 101.

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:

- Certain share based payment disclosures in respect of group equity instruments (IFRS 2 'Share-based payment' paragraphs 45(b) and 46 to 52);
- 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);
- Third balance sheet on retrospective accounting policy changes, restatements, or reclassifications (paragraph 40A-D, 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 Group undertakings (IAS 24);

3. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The nature of estimation means that actual outcomes could differ from those estimates. The following judgement has had the most significant effect on amounts recognised in the financial statements:

Fair value measurement

The Company carries a portion of its assets and liabilities at fair value. The majority of such assets and liabilities are measured 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. Instruments valued using internally developed models that use significant unobservable inputs are classified within level 3 of the valuation hierarchy, and the judgements used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2. Further details are set out in note 13 to the financial statements.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

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 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into United States ("US dollars") at rates of exchange ruling on the balance sheet date. Income and expense items denominated in foreign currencies are translated into US 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 US 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 US 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.

The currency of the primary economic environment in which the Company operates is US dollars, which is the functional and presentation currency of the Company. The financial statements have been presented in US dollars.

4.2 Income and expense recognition

Interest receivable and payable 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.

4.3 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 directors determine the classification of investments at initial recognition.

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 are 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 changed.

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.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired; or when the Company has transferred its contractual right to receive the cash flows of the financial assets, and either

- substantially all the risks and rewards of ownership have been transferred; or
- substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

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

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

4. Significant accounting policies (continued)

4.4 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group 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 that loss event has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.5 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.

The Company classifies its assets and liabilities according to a valuation hierarchy that has been established under IFRS for disclosure of fair value measurements. The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3 inputs).

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

4.6 Current income tax

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

4.7 Provisions for liabilities and charges

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

4.8 Pensions and other post-retirement benefits

The Company operates a defined contribution scheme for its employees.

Defined contribution scheme

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution pension plans are recognised as an expense and charged to the income statement on an accrual basis.

4.9 Share based payments

Share-based awards may be made to employees of the Company under the Group's incentive awards schemes. The fair value of any such shares, rights to shares or share options is measured when the conditional award is made. This value is recognised as the compensation expense to the Company over the period to which the performance criteria relate together with employer's social security expenses or other payroll taxes. All of the awards granted are equity settled. The Company estimates the level of forfeitures and applies this forfeiture rate at the grant date.

Additionally, the conditions that must be satisfied before an employee becomes entitled to equity instruments under the Group's incentive programs is taken into consideration. The Group's Retirement Eligibility rules for restricted stock awarded as part of incentive programs require the acceleration of the amortisation of the award such that the award is fully expensed at the time the retirement eligibility comes into force.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

5. Operating income

	2015	2014
	\$'000	\$'000
Net profit from financial assets designated at fair value through profit or loss	52,670	72,824

6. Other (expense)/income

	2015	2014
	\$'000	\$'000
Foreign exchange translation (loss)/gain	(5,883)	8,314

7. Directors' emoluments

	2015	2014
	\$	\$
Emoluments*	186,637	131,489
Total contributions to a defined contribution plan	852	715
Total contributions to a defined benefit pension plan	1,618	1,268
Total value of long term incentive plans (LTIPs) for all directors	36,550	31,325
Number of directors who exercised share options	—	—
Number of directors to whom defined contribution pension rights accrued	3	2
Number of directors to whom defined benefit pension rights accrued	1	2
Number of directors with shares received or receivable under LTIPs	3	3

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

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

The directors are employees of other companies in the Firm 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.

8. Interest receivable and similar income

	2015	2014
	\$'000	\$'000
Interest receivable and similar income from other JPMorgan Chase undertakings	328	157

9. Interest payable and similar charges

	2015	2014
	\$'000	\$'000
Interest payable and similar charges from other JPMorgan Chase undertakings	649	588

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

10. Profit on ordinary activities before taxation

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Staff costs:		
Wages and salaries	1,325	1,455
Social security costs	183	221
Other pension costs	101	142
Share based payments	99	99
Other payroll related costs	61	77

Administrative expenses include professional service fees for the amount of \$3 million (2014: \$11 million).

The monthly average number of staff, excluding directors, providing services to the Company was 7 (2014: 7).

The auditors' remuneration for the audit of the Company's annual financial statements of \$45,837 (2014: \$49,180) is met by another JPMorgan Chase undertaking and not recharged.

11. Tax on profit on ordinary activities

	2015	2014
	\$'000	\$'000
(a) Analysis of tax charge for the year		
Current taxation		
UK Corporation tax on profit for the year	6,413	13,468
Adjustments in respect of prior years	53	219
Total tax expense for the year	6,466	13,687

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

The current tax charge for the year differs from the standard rate of corporation tax in the UK of 20% reduced from 21% effective 1 April 2015. The differences are explained below:

Profit on ordinary activities before taxation	32,234	63,465
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in UK 20.25% (2014: 21.49%)	6,526	13,642
Non deductible expenses	28	24
Non taxable income	—	(48)
Adjustment in respect of prior years	53	219
FRS 26 adjustment	(141)	(150)
Total tax expense for the year	6,466	13,687

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

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

	2015	2014
	\$'000	\$'000
At 1 January	141,950	170,483
Movements during the year	(40,148)	(28,533)
At 31 December	101,802	141,950

Financial assets designated at fair value through profit or loss represent certain distressed debt acquired from various third parties. Distressed debt relates to customers that are in insolvency.

All fair value changes related to financial assets designated at fair value through profit or loss are recognised in the income statement as they arise.

13. Assets and liabilities measured at fair value

Fair value

Valuation process

The Company carries its portfolio of distressed debt at fair value on a recurring basis.

Fair value is defined as 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 value is based on quoted market prices, where available. If listed prices or quotes are not available, fair value is based on 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.

The level of precision in estimating unobservable market inputs or other factors can affect the amount of gain or loss recorded for a particular position. Furthermore, while the Company believes its valuation methods are appropriate and consistent with those of other market participants, the methods and assumptions used reflect management judgement and may vary across the Company's businesses and portfolios. The use of different methodologies or assumptions to those used by the Company could result in a different estimate of fair value at the reporting date.

Risk-taking functions are responsible for providing fair value estimates for assets and liabilities carried on the balance sheet at fair value. The Firm's valuation control function, which is part of the Firm's finance function and independent of the risk-taking functions, is responsible for verifying these estimates and determining any fair value adjustments that may be required to ensure that the Firm's positions are recorded at fair value. The valuation control function verifies fair value estimates provided by the risk-taking functions by leveraging independently derived prices, valuation inputs and other market data, where available.

Valuation model review and approval

If prices or quotes are not available for an instrument or a similar instrument, fair value is generally determined using valuation models that consider relevant transaction data such as maturity and inputs such as market-based or independently sourced parameters. The Model Risk function is independent of the model owners and reviews and approves valuation models used by the Company.

Fair value hierarchy

The Company classifies its assets and liabilities according to a valuation hierarchy that reflects the observability of significant market inputs. The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - one or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

13. Assets and liabilities measured at fair value (continued)

Valuation methodologies

The following table describes the valuation methodologies used by the Company to measure its more significant products/instruments at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

Product/instrument	Valuation methodology, inputs and assumptions	Classifications in the valuation hierarchy
Distressed debt	Valuations are based on discounted cash flows, which consider: <ul style="list-style-type: none"> • Bid yields and term structure • Unemployment projections • House price appreciation • Additional recoveries • Servicing costs • Observable market data 	Level 3

Assets and liabilities measured at fair value on a recurring basis

The following table presents the asset and liabilities reported at fair value as at 31 December 2015 and 2014, by major product category and fair value hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2015				
Financial assets designated at fair value through profit or loss				
Debt instruments	—	—	101,802	101,802
Total assets at fair value	—	—	101,802	101,802

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2014				
Financial assets designated at fair value through profit or loss				
Debt instruments	—	—	141,950	141,950
Total assets at fair value	—	—	141,950	141,950

Level 3 valuations

The Firm has established well-documented processes for determining fair value, including for instruments where fair value is estimated using significant unobservable inputs (level 3).

Estimating fair value 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. For instruments valued using internally developed models that use significant unobservable inputs and are therefore classified within level 3 of the fair value hierarchy, judgments used to estimate fair value are more significant than those required when estimating the fair value of instruments classified within levels 1 and 2.

In arriving at an estimate of fair value for an instrument within level 3, management must first determine the appropriate model to use. Second, due to the lack of observability of significant inputs, management must assess all relevant empirical data in deriving valuation inputs.

The following table presents the Company's primary level 3 financial instrument, the valuation techniques used to measure the fair value of this financial instrument, the significant unobservable inputs, the range of values for those inputs and, for certain instruments, the weighted averages of such inputs. While the determination to classify an instrument within level 3 is based on the significance of the unobservable inputs to the overall fair value measurement, level 3 financial instruments typically include observable components (that is, components that are actively quoted and can be validated to external sources) in addition to the unobservable components.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

13. Assets and liabilities measured at fair value (continued)

Level 3 valuations (continued)

The range of values presented in the table is representative of the highest and lowest level input used to value the portfolio.

	Asset	Liability	Net fair value	Principal valuation technique	Unobservable input	Range of input values	Weighted average
At 31 December 2015	\$'000	\$'000	\$'000				
Distressed debt	101,802	—	101,802	Discounted cash flows	Yield	5% - 20%	10%
					Unemployment forecast	4% - 10%	5%
					House price appreciation forecast	0% - 10%	4%
					Loss severity	0% - 100%	100%

Changes in and ranges of unobservable inputs

The following discussion provides a description of the impact on a fair value measurement of a change in each unobservable input in isolation, and the interrelationship between unobservable inputs, where relevant and significant. The impact of changes in inputs may not be independent as a change in one unobservable input may give rise to a change in another unobservable input; where relationships exist between two unobservable inputs, those relationships are discussed below. For each of the individual relationships described below, the inverse relationship would also generally apply.

There is no independent consensus pricing available for the Company, however there is limited market activity which can be evaluated. The firm benchmarks and compares discounting yields for projected recovery cash flows through the observation of this market activity. The firm also monitors key model parameters, unemployment and house price appreciation, as well as actual performance against model expectations.

Yield - The yield of an asset is the interest rate used to discount future cash flows in a discounted cash flow forecast. An increase in the yield, in isolation, would result in a decrease in a fair value measurement. The yield applied to the cash flows is the key valuation metric for forecasted recoveries and the primary pricing tool when deriving fair value of this asset.

Term structure - The yield of an asset is combined with a forecasted term structure which is typically upward sloping. This concept is to balance the idea that future cash flows are less certain and so should be discounted at a higher rate. The aggregated number is then reported as the yield of the asset as highlighted above.

Unemployment - The UK unemployment projections are factored into the fair value of the asset to help project future cash flows. Unemployment can be taken as a wider proxy of the broader economy and is correlated with the value of the position. A decrease in unemployment projections would result in an increase in fair value measurement.

House price appreciation - House prices comprise of another indicator for the general economy and are also modelled into the future cash flows of the Max Recovery position. A decrease in house price growth will result in a drop in fair value due to a potential decrease in projected future cash flows.

Loss severity - The loss severity (the inverse concept is the recovery rate) is the expected amount of future realised losses resulting from the ultimate liquidation of a particular position, expressed as the net amount of loss relative to the outstanding balance. An increase in loss severity is generally accompanied by an increase in default rates. In the case of this position, any residual dismissed balances will be valued assuming high severity due to the nature of this asset class.

Fair value financial instruments valued using techniques that incorporate unobservable inputs

The fair value of financial instruments may be determined using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on available observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact as at 31 December 2015 of using reasonable possible alternative assumptions for the valuations including significant unobservable inputs have been quantified in the following table:

Sensitivity analysis of valuations using unobservable inputs	Fair Value			Favourable change	Unfavourable change
	Asset	Liability	Net	Income statement	
At 31 December 2015	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Distressed debt	101,802	—	101,802	7,014	(6,063)
Total	101,802	—	101,802	7,014	(6,063)

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

13. Assets and liabilities measured at fair value (continued)

Changes in level 3 recurring fair value measurements

Movement in assets and liabilities in Level 3 during year ended 31 December 2015

	Debt and equity instruments \$'000
At 1 January 2015	141,950
Net gain recognised in profit and loss account	52,670
Purchases	19,053
Settlements	(111,871)
At 31 December 2015	101,802

Movement in assets and liabilities in Level 3 during year ended 31 December 2014

	Debt and equity instruments \$'000
At 1 January 2014	170,483
Net gain recognised in profit and loss account	72,824
Purchases	38,379
Settlements	(139,736)
At 31 December 2014	141,950

Transfers between levels for instruments carried at fair value on a recurring basis

The Company only holds level 3 financial instruments. For the year ended 31 December 2015 and 2014, there were no transfers between level 2 and level 3.

Fair value of financial instruments not carried on balance sheet at fair value

Certain financial instruments that are not carried at fair value on balance sheet are carried at amounts that are not materially different to their fair value, due to their short term nature and generally negligible credit risk. These instruments include debtors, cash at bank and in hand and creditors.

The Company has \$225 million (2014: \$180 million) of financial assets and \$103 million (2014: \$124 million) of financial liabilities that are not measured at fair value on balance sheet.

Offsetting financial assets and financial liabilities

No financial assets and liabilities have been offset in the balance sheet as at 31 December 2015 (2014: \$nil).

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

14. Debtors

	2015	2014
	\$'000	\$'000
Amounts owed by other JPMorgan Chase undertakings	218,930	178,037
Other debtors	127	657
	219,057	178,694

15. Cash at bank and in hand

Bank balances include those held with other JPMorgan Chase undertakings.

16. Creditors: amounts falling due within one year

	2015	2014
	\$'000	\$'000
Amounts owed to other JPMorgan Chase undertakings	101,971	113,041
Taxation and social security	422	9,234
Other creditors	387	1,358
	102,780	123,631

Included within Creditors: amounts falling due within one year, are the following balances with JPMorgan Chase undertakings:

	2015	2014
	\$'000	\$'000
Amounts owed to other JPMorgan Chase undertakings	101,971	113,041
Taxation and social security	422	9,234
	102,393	122,275

17. Called-up share capital

	2015	2014
	\$'000	\$'000
Issued and fully paid share capital		
5,000,000 (2014: 5,000,000) ordinary shares of \$1 each	5,000	5,000

18. Pensions

The Company participated in a defined contribution pension scheme in the United Kingdom.

The Company recorded a total pension expense of \$101,335 for the year 2015 (2014: \$142,000).

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

19. Share based payments

Employee stock-based awards

In 2015, 2014 and 2013, JPMorgan Chase & Co. (the "Firm") granted long-term stock-based awards to certain employees under its Long-Term Incentive Plan ("LTIP"), as amended and restated effective May 19, 2015. Under the terms of the LTIP, as of December 31, 2015, 93 million shares of common stock were available for issuance through May 2019. The LTIP is the only active plan under which the Firm is currently granting stock-based incentive awards. In the following discussion, the LTIP, plus prior Firm plans and plans assumed as the result of acquisitions, are referred to collectively as the "LTI Plans," and such plans constitute the Firm's stock-based incentive plans.

Restricted stock units ("RSUs") are awarded at no cost to the recipient upon their grant. Generally, RSUs are granted annually and vest at a rate of 50% after two years and 50% after three years and are converted into shares of common stock as of the vesting date. In addition, RSUs typically include full-career eligibility provisions, which allow employees to continue to vest upon voluntary termination, subject to post-employment and other restrictions based on age or service-related requirements. All RSUs awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation under certain specified circumstances.

Under the LTI Plans, stock options and stock appreciation rights ("SARs") have generally been granted with an exercise price equal to the fair value of JPMorgan Chase's common stock on the grant date. The Firm periodically grants employee stock options to individual employees. There were no material grants of stock options or SARs in 2015 and 2014. Grants of SARs in 2013 become exercisable ratably over five years (i.e., 20% per year) and contain clawback provisions similar to RSUs. The 2013 grants of SARs contain full-career eligibility provisions. SARs generally expire ten years after the grant date. No broad-based employee stock options were granted in 2014 or in 2015.

The Firm separately recognises compensation expense for each tranche of each award as if it were a separate award with its own vesting date. Generally, for each tranche granted, compensation expense is recognised on a straight-line basis from the grant date until the vesting date of the respective tranche, provided that the employees will not become full-career eligible during the vesting period. For awards with full-career eligibility provisions and awards granted with no future substantive service requirement, the Firm accrues the estimated value of awards expected to be awarded to employees as of the grant date without giving consideration to the impact of post-employment restrictions. For each tranche granted to employees who will become full-career eligible during the vesting period, compensation expense is recognised on a straight-line basis from the grant date until the earlier of the employee's full career eligibility date or the vesting date of the respective tranche.

The Firm's policy for issuing shares upon settlement of employee stock-based incentive awards is to issue either new shares of common stock or treasury shares. During 2015, 2014 and 2013, the Firm settled all of its employee stock-based awards by issuing treasury shares.

RSUs, employee stock options and SARs activity

Compensation expense for RSUs is measured based on the number of shares granted multiplied by the stock price at the grant date, and for employee stock options and SARs, is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognised in net income as described previously.

The weighted-average share price during the year ended 31 December 2015 was \$63.83 (2014: \$58.17).

The weighted-average grant-date fair value of options granted during the year ended 31 December 2015 was nil (2014: nil).

The total expense for the year relating to share based payments was \$98,583 (2014: \$99,000), all of which relates to equity settled share based payments.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Financial risk management

Risk Management is an inherent part of the Firm's (of which the Company is a part) business activities and the Company has adopted the same risk management policies and procedures as the Firm as a whole. The Firm and the Company's risk management framework and governance structure provide comprehensive controls and ongoing management of its major risks. The Company employs a holistic approach to risk management to ensure the broad spectrum of risk types are considered in managing its business activities. The risk management framework creates a culture of risk awareness and personal responsibility throughout the entity where collaboration, discussion, escalation and sharing of information is promoted. The Company exercises oversight through the Board of Directors and delegation from the Board of Directors in line with the Firm's risk management framework.

An overview of the key aspects of risk management and use of financial instruments is provided below. A more detailed description of the policies and processes adopted by the Firm may be found within the Firm's annual report.

Market risk

Market risk is the exposure to an adverse change in the market value of financial instruments caused by a change in market parameters. The primary categories of market parameters are:

- Interest Rates - Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates.
- Foreign Exchange Rates - Foreign exchange rate risk results from exposure to changes in prices and volatility of currency rates;

Risk identification and classification

The line of business is responsible for the management of the market risks within its unit. The independent risk management group is responsible for overseeing each line of business is charged with ensuring that all material market risks are appropriately identified, measured, monitored and managed in accordance with the risk policy framework set out by Market Risk.

Interest rate risk

Interest risk represents the risk that future cash flows of a financial instrument will fluctuate because of movement in market interest rates. The Company is subject to cash flows and fair value interest rate risk. The table below shows the effect of applying a 50 basis points change to net interest bearing position on the balance sheet of the Company:

	2015	2014
	\$'000	\$'000
50 basis points increase in local interest rates	(643)	(1,151)
50 basis points decrease in local interest rates	651	1,169

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its contractual and contingent obligations or that it does not have the appropriate amount, composition and tenor of funding and liquidity to support its assets.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Financial risk management (continued)

Liquidity risk (continued)

Due to the nature of the business conducted by the Company, and the fact that its sole source of capital is the Firm, the directors do not consider liquidity risk to be material. As obligations are paid to counterparties on the signing of the contract in the majority of its deals, there is a low level of outstanding obligations to counterparties.

The following table provides details on the maturity of all financial liabilities:

	Less than 1 year	Total	Less than 1 year	Total
	2015	2015	2014	2014
	\$'000	\$'000	\$'000	\$'000
Amounts owed to other JPMorgan Chase undertakings	101,971	101,971	113,041	113,041
Taxation and social security	422	422	9,234	9,234
Other creditors	387	387	1,356	1,356
	102,780	102,780	123,631	123,631

The above liabilities are presented based on the earliest contractual maturity carrying value is considered to be the best representation of undiscounted cash flows for financial liabilities.

Credit risk

The financial condition of the Company's customers, clients and counterparties, could adversely affect the Company.

Credit Risk is managed by the Firm on a global level. The Firm has developed credit risk policies and practices to which the Company is subject and credit risk is monitored by the Company and risk teams. The Company uses its extensive data set and publicly available data to price its purchases conservatively and its pricing models take into account the likely failure of a proportion of the insolvency accounts in the portfolios purchased. Individual consumers are all in statutory insolvency plans in order that they might make affordable payments. There are no significant obligations due from counterparties to portfolio purchases and all counterparties are subject to the Firm's rigorous "Know Your Customer" process. Therefore, the directors do not consider credit risk to be material.

The below table represents the gross balance sheet exposure to financial assets:

	2015	2014
	\$'000	\$'000
Balance sheet exposure by financial asset:		
Financial assets designated at fair value through profit or loss	101,802	141,950
Debtors	219,057	178,694
Cash at bank and in hand	5,604	902
Total	326,463	321,546

Included within debtors and cash at bank and in hand are balances held with other JPMorgan Chase undertakings of \$224,534,000 (2014: \$178,939,000), which are of investment grade. Financial assets designated at fair value through profit and loss represent distressed debt held under statutory insolvency plans.

MAX RECOVERY LIMITED

Notes to the financial statements for the year ended 31 December 2015 (continued)

20. Financial risk management (continued)

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes or systems or due to external events that are neither market nor credit-related. Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, inappropriate behaviour of employees, failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Company and the Firm. The goal is to keep operational risk at appropriate levels, in light of the Company's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive environment to which it is subject.

Operational Risk Management Framework

To monitor and control operational risk, the Firm maintains an overall Operational Risk Management Framework ("ORMF") which comprises governance oversight, risk assessment, capital measurement, and reporting and monitoring. The ORMF is intended to enable the Firm to function with a sound and well-controlled operational environment.

Risk Management is responsible for prescribing the ORMF to the lines of business and corporate functions and to provide independent oversight of its implementation. In 2014, Operational Risk Officers ("ORO's") are appointed across each line of business and corporate function to provide this independent oversight.

The lines of business and corporate functions are responsible for implementing the ORMF. The Firmwide Oversight and Control Group, comprised of dedicated control officers within each of the lines of business and corporate functional areas, as well as a central oversight team, is responsible for day to day review and monitoring of ORMF execution.

21. Capital management

Total equity of \$223,683,000 (2014: \$197,915,000) constitutes the managed capital of the Company, which consists of called-up share capital and retained earnings.

Capital adequacy is of critical importance to the Company. The Directors are responsible for setting the objectives, policies and processes relating to the management of the Company's capital.

The Company is not subject to any externally imposed capital requirements.

22. Post balance sheet event

On 23 February 2016, the Company became an authorised and regulated entity by the Financial Conduct Authority ("FCA"). The FCA registration number of the Company is 720206.

On 23 June 2016, the United Kingdom ("UK") conducted a referendum and voted to leave the European Union. Many international banks, including the Firm, operate substantial parts of their European Union business from entities based in the UK. Upon the UK leaving the European Union, the regulatory and legal environment that would then exist, and to which the Firm's UK operations would then be subject, will depend on, in certain respects, the nature of the arrangements agreed with the European Union and other trading partners.

These arrangements cannot be predicted, but currently the Firm does not believe any of the likely identified scenarios would threaten the viability of the Firm's business units or the Firm's ability to serve clients across the European Union and in the UK. However, it is possible that under some scenarios, changes to the Firm's legal entity structure would be required, which might result in a less efficient operating model across the Firm's European legal entities.

The Company has foreign currency exposure on its GBP denominated financial assets designated at fair value through profit and loss which represents certain distressed debt. The foreign currency exposure is offset by GBP funding provided by another JPMorgan Chase undertaking. The value of these assets and funding has decreased as a result of the change in foreign exchange rate. The impact on the distressed debt and the ability to repay will continue to be monitored.

Directors do not at this time foresee any material impact to the Company's business model and risks in the medium term.