

J.P. MORGAN MANSART MANAGEMENT LIMITED
(Registered Number: 06420957)

Annual report for the year ended 31 December 2018

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J.P. MORGAN MANSART MANAGEMENT LIMITED
Annual report for the year ended 31 December 2018

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J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report

The directors present their strategic report of J.P. Morgan Mansart Management Limited (the "Company") for the year ended 31 December 2018.

Overview

The Company is incorporated and domiciled in England and Wales. It is an indirect subsidiary of JPMorgan Chase & Co. ("JPMorgan Chase" or the "Firm"). JPMorgan Chase is a financial holding company incorporated under Delaware law in 1968, it is a global leading financial services firm and one of the largest banking institutions in the United States of America ("U.S."), with operations worldwide. The Company had \$16,406,671 in assets and \$13,875,100 in total equity as of 31 December 2018.

Principal activity

The Company is an asset management company which provides risk management and strategic asset management services to clients. The Company promotes, launches and manages funds, investments and other investment solutions in line with its regulatory permissions as set by the Financial Conduct Authority ("FCA"). The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Review of business

The Company manages 31 funds (2017: 26 funds and 1 segregated account) with assets under management ("AuM") totalling \$1,799,671,607 as of 31 December 2018 (2017: \$1,862,340,820). The funds are incorporated in two jurisdictions: Ireland and the Cayman Islands. The segregated account was located in Guernsey.

In the previous years, the Company had entered into two separate agreements (collectively the "backstop agreements") with J.P. Morgan Securities (Asia Pacific) Limited ("JPM HK") and J.P. Morgan Securities LLC ("JPMS LLC"). In accordance with the terms of this agreement, the Company would launch and manage funds referring to certain financial products issued, traded or created by JPM HK and JPMS LLC. Under these backstop agreements, the Company recognized income of \$nil (2017: \$603,114) during the year.

Key performance indicators ("KPIs")

The results are monitored against expectations of the business activities. The directors monitor progress on the performance of the Company using various metrics. The primary KPIs are set out as below:

| Financial performance (in USD except for return on assets and capital ratios) | 2018 | 2017 |
|---|-------------|-------------|
| Income statement | | |
| Net Operating income | 468,966 | 1,771,879* |
| Loss for the financial year | (2,870,160) | (1,292,322) |
| Balance sheet | | |
| Total assets | 16,406,671 | 18,241,011 |
| Return on assets | -17% | -7% |
| Capital ratios (unaudited) | | |
| Pillar 1 capital requirement | 1,028,362 | 963,452 |
| Common Equity Tier 1 | 13,875,100 | 16,745,260 |
| Total Capital Ratio | 108% | 139% |

*Prior year amounts have been restated to conform to current year presentation, refer note 6.

Capital resources utilised to calculate capital ratios are inclusive of audited current year losses.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Income statement

The income statement for the year ended 31 December 2018 is set out on page 14. Net operating income was \$468,966 for 2018 (2017: \$1,771,879). The results for the Company shows a loss of \$2,870,160 for 2018 (2017: \$1,292,322).

Balance sheet

The balance sheet is set out on page 15. The Company has total assets and total liabilities of \$16,406,671 (2017: \$18,241,011) and \$2,531,571 (2017: \$1,495,751) respectively as at 31 December 2018.

Capital ratios

The Company continues to maintain strong capital ratios. Refer to Risk management section for further details.

Future outlook

In 2016, the United Kingdom ("UK") voted to withdraw from the European Union ("EU"), and in March 2017, the U.K. invoked Article 50 of the Lisbon Treaty, which commenced withdrawal negotiations with the EU. As a result, and after two extensions of the negotiation timeline, the U.K. is currently scheduled to depart from the EU on 31st October, 2019. Negotiations regarding the terms of the U.K.'s withdrawal continue between the U.K. and the EU, although the situation remains highly uncertain.

It remains highly uncertain how the expected departure of the UK from the EU, which is commonly referred to as "Brexit", will affect financial services firms such as JPMorgan Chase that conduct substantial operations in the EU from legal entities that are organised in or operating from the UK. It is also possible that any agreement reached between the UK and the EU may, depending on the final outcome of the ongoing negotiations and related legislative developments:

- impede the ability of UK - based financial services firms to conduct business in the EU
- fail to address significant unresolved issues relating to the cross-border conduct of financial services activities, or
- apply only temporarily.

A disorderly departure of the UK from the EU, or the unexpected consequences of any departure, could have significant and immediate destabilising effects on cross-border financial services activities, depending on circumstances that may exist following such a withdrawal.

The Firm has a long-standing presence in the UK, which currently serves as the regional headquarters of the Firm's operations in over 30 countries across Europe, the Middle East, and Africa ("EMEA"). The Firm established a Firmwide Brexit Implementation programme in 2017. The programme covers strategic implementation across all impacted businesses and functions. The programme's objective is to deliver the Firm's capabilities on "day one" of the UK's withdrawal across all impacted legal entities. The programme includes an ongoing assessment of implementation risks including political, legal and regulatory risks and plans for addressing and mitigating those risks. The Firm is also monitoring the expected macroeconomic developments associated with a no-deal scenario and has undertaken stress testing covering credit and market risk to assess potential impacts. Significant uncertainty remains around the UK's expected departure from the EU, including the possibility that the UK departs without any agreement being reached on how UK financial services firms will conduct business within the EU (i.e., "a no-deal scenario").

The Company has one unit trust in Ireland where it is the management company with AuM of approximately \$18 million. The Brexit impact will mean that the Company will need to appoint a third party management company which will then appoint the Company as the Investment manager.

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

Risk management

Risk is an inherent part of the Company's business activities. The Company's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients and customers and protects the safety and soundness of the Company.

JPMorgan Chase's and the Company's risk management framework seeks to mitigate risk and loss to the Firm and Company. The Firm has established processes and procedures intended to identify, measure, monitor, report and analyse the types of risk to which the Firm is subject. However, as with any risk management framework, there are inherent limitations to the Firm's risk management strategies because there may exist, or develop in the future, risks that the Firm has not appropriately anticipated or identified.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Risk management (continued)

At a Company level, the Global Legal Entity Risk framework assigns risk tiers from 1 to 4 to the Firm's significant operating entities across all lines of business, where Tier 1 represents the highest level of risk management oversight required. Core and recommended governance standards have been created for each tier of governance. The Company is considered as Tier 3. The EMEA Risk Committee ("ERC") provides oversight of the risks inherent in the Firm's business conducted in EMEA or booked into EMEA entities and relevant branches as well as EMEA branches of ex-EMEA firms. Tier 2 and 3 entities (such are overseen by the EMEA Chief Risk Officer ("CRO") Forum, a sub forum of the ERC. The ERC is accountable to the EMEA Management Committee.

The Company exercises oversight through the Board of directors and delegation from the Board to committees and sub-committees which are aligned to the Firm risk management framework and regulatory requirements.

All disclosures in the Risk management section (pages 3 - 9) are unaudited unless otherwise stated.

Risk Summary

The following sections outline the key risks that are inherent in the Company's business activities.

A detailed description of the policies and processes adopted by the Firm may be found within the JPMorgan Chase & Co. 2018 Annual Report on Form 10-K. The report is available at <https://jpmorganchaseco.gcs-web.com/financial-information/sec-filings>.

Capital risk (audited)

Capital risk is the risk the Company has an insufficient level and composition of capital to support the Company's business activities and associated risks during both normal economic environments and under stressed conditions.

A strong capital position is essential to the Company's business strategy and competitive position. The Firm's capital management strategy focuses on maintaining long-term stability to enable the Firm to build and invest in market-leading businesses, even in a highly stressed environment. Prior to making any decisions on future business activities, senior management considers the implications on the Firm's capital. Accordingly, its Capital Management Framework is designed to ensure that the Company is adequately capitalised at all times primarily in relation to:

- Minimum risk-based regulatory capital requirements (Pillar 1 capital under CRD IV^(a) plus Pillar 2/Individual Capital Guidance ("ICG") set by the FCA and relevant CRD IV buffers);
- Minimum leverage requirements^(b) (calculated per the final rules in the Capital Requirements Regulation ("CRR") post the delegated act (October 2014));
- The risks faced by the entities, through regular comparisons of regulatory and internal capital requirements; and
- Senior management's risk appetite expressed, for example, through the application of an internal capital buffer and preferred minimum capital ratios above those prescribed in regulation.

The framework used to manage capital is based around a regular cycle of point-in-time capital calculations and reporting, supplemented by forward-looking projections and stress-testing, with corrective action taken as and when required to maintain an appropriate level of capitalisation. Each part of the process is subject to rigorous control. Escalation of issues is driven by a framework of specific triggers, set in terms of capital and leverage ratios, movements in those ratios, and other measures.

Through the quarterly Internal Capital Adequacy Assessment Process ("ICAAP"), the Company ensures that it is adequately capitalised in relation to its risk profile and appetite, not only as at the ICAAP date, but through the economic cycle and under a range of severe but plausible stress scenarios. The quarterly ICAAP results are reviewed by the EMEA Corporate and Investment Bank ("CIB") Capital Committee. The annual 'Reverse stress testing' exercise is used to identify potential, extreme scenarios which might threaten the viability of the Company's business model, so that any required mitigation can be put in place.

^(a) CRD IV implemented Basel III in the EU, and came into force on 1 January 2014.

^(b) Disclosure requirement applicable from 1 January 2015.

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Strategic report (continued)

Risk management (continued)

Capital risk (audited) (continued)

The composition of the Company's capital is as follows. All tiers of capital are shown net of applicable deductions.

| 31 December | 2018 | 2017 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Common Equity Tier 1 (Equity share capital and reserves) | 13,875,100 | 16,745,260 |
| Total capital resources | 13,875,100 | 16,745,260 |
| Pillar 1 Capital Requirement (unaudited) | 1,028,362 | 963,452 |
| Excess of total capital resources over Pillar 1 capital requirements (unaudited) | 12,846,738 | 15,781,808 |
| Pillar 1 capital ratio (unaudited) | 108% | 139% |

As of 31 December 2018 and 31 December 2017, the Company was adequately capitalised and met all external capital requirements. Capital resources utilised to calculate capital ratios are inclusive of audited current year losses.

Additionally, the Fixed Overheads requirement included within the Pillar 1 Capital Requirement has been recalculated to incorporate current year relevant expenditure.

Company information is included as part of the Pillar 3 disclosures and are made available on the Firm's website (<https://jpmorganchaseco.qcs-web.com/financial-information/basel-pillar-3-us-lcr-disclosures>) in accordance with Part Eight of the European Capital Requirements Regulation. These are published on an annual basis or more frequently where the Firm has assessed a further need to do so under the guidelines (EBA GL2014/14) set out by the European Banking Authority. These disclosures are not subject to external audit.

Credit risk (audited)

Credit risk is the risk associated with the default or change in credit profile of a client, counterparty or customer. The Company's credit risk arises from its fee based activity.

Risk measurement

Expected credit loss measurement

Approach to measuring expected credit losses

The Company estimates credit impairment through an allowance for expected credit losses ("ECLs"). ECLs are recognised for financial assets that are measured at amortised cost. The measurement of ECLs must reflect:

- (a) An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- (b) The time value of money; and
- (c) Reasonable and supportable information about past events, current economic conditions, and forecasts of future economic conditions.

The measurement of ECL also reflects how the Company manages the financial instruments it uses for credit risk purposes such as Traditional Credit Products ("TCP"), and non-traditional credit products ("Non-TCP"). The Company does not hold any TCP instruments. Non-TCP consist of financial assets measured at amortised cost which include debtors and cash and cash equivalents.

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Strategic report (continued)

Risk management (continued)

Credit risk (audited) (continued)

The following table sets out the balances of the Company's financial assets that are measured at amortised cost within the Non-TCP category:

| Balance sheet categories | Non-TCP |
|---------------------------|-------------------|
| | 2018 |
| | \$ |
| Assets | |
| Debtors | 1,366,872 |
| Cash and cash equivalents | 15,039,799 |
| | 16,406,671 |

For Non-TCPs, the Company utilises a combination of an established provision matrix, as well as quantitative and qualitative considerations to estimate ECLs.

During the year, the Company recognised no ECL on non-TCP balances as the ECL related to these exposures is assessed as immaterial. The Company's approach to measuring ECLs for Non-TCP portfolios depends on the type of instrument. Refer to the Credit exposures section for an analysis per balance sheet line item.

Credit exposures

Balance sheet exposure by financial asset

The table below presents the Company's gross balance sheet exposure to financial assets.

| | 2018 | 2017 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Debtors | 1,366,872 | 1,236,755 |
| Cash and cash equivalents | 15,039,799 | 17,004,256 |
| | 16,406,671 | 18,241,011 |

Included within the above assets, balances held with other JPMorgan Chase undertakings are \$15.03 million (2017: \$17.61 million).

The Company's credit exposures and credit risk mitigants are further described below. As no material ECL allowance is recognised on Non-TCP financial assets, refer below for further discussion.

Debtors

Debtors mainly consists of fee receivables arising out of revenue from contracts with customers, such as a management fees.

Fee receivables for institutional clients are included in Stage 1 if they are less than 90 days past due ("dpd"), and instruments less than 180 dpd are included in Stage 2. A fee receivable from an institutional client is deemed to be credit-impaired and 100% reserved when it is 180 dpd. The Company has not had significant losses on its fee receivable portfolios and based on the immateriality of these losses, the provision matrix and staging approach described is applied. The Company continues to monitor the fee receivable population to ensure the described framework is appropriate. The Company recognises no allowance on these balances.

Cash and cash equivalents

The Company places substantially all of its deposits with banks which are of investment-grade. The Company includes cash and cash equivalents in Stage 1 as investment-grade institutions are considered to have high quality credit with low risk of default and therefore a significant increase in credit risk is not deemed probable or material. The Company recognises no allowance on these balances.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Risk management (continued)

Liquidity risk (audited)

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

The Company is locally subject to the FCA liquidity regulations. The key elements of the regulations are to ensure the Company has adequate liquidity and self-sufficiency of liquidity resources and that it has systems and controls in place to monitor this. The Company's funding strategy is intended to ensure that it will have sufficient liquidity and diversity of funding sources necessary to enable it to meet actual and contingent financial liabilities during both normal and stress periods.

Management considers the Company's liquidity position as strong and the directors do not consider that the Company is exposed to significant liquidity risk.

Non-U.S. dollar foreign exchange ("FX") risk

Non-U.S. dollar FX risk is the risk that changes in foreign exchange rates affect the value of the Company's assets or liabilities or future results.

The Company's functional and presentation currency is U.S. dollar.

The Company does not have material risks associated with foreign investments in subsidiaries. The Company does have mismatches between the currency in which Risk Weighted Assets ("RWAs") are denominated and the functional currency (U.S. dollar). This means that changes in FX rates can impact the capital ratios of the Company. The Non-U.S. dollar FX risk is managed through the stress testing program which is an important component in managing structural FX risk, testing the Company and Firm's financial resilience in a range of severe economic and market conditions.

Operational risk

Operational risk is the risk associated with inadequate or failed internal processes, people and systems, or from external events and includes compliance risk, conduct risk, legal risk and model risk.

Operational risk is inherent in the Company's activities and can manifest itself in various ways, including fraudulent acts, business interruptions, cybersecurity attacks, inappropriate employee behaviour, failure to comply with applicable laws, and regulations or failure of vendors to perform in accordance with their agreements. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Company and the Firm. The goal is to keep operational risk at appropriate levels in light of the Company's financial position, the characteristics of its businesses, and the markets and regulatory environments in which it operates.

Risk management

To monitor and control operational risk, the Firm has an Operational Risk Management Framework ("ORMF") which is designed to enable the Firm to maintain a sound and well-controlled operational environment. The ORMF has four main components: Governance, Operational Risk Identification and Assessment, Operational Risk Measurement, and Operational Risk Monitoring and Reporting. The Company's approach mirrors the Firmwide approach.

Operational risk can manifest itself in various ways. Operational risk subcategories such as Compliance risk and Conduct risk, as well as other operational risks, can lead to losses which are captured through the Firm's operational risk measurement processes. More information on these risk subcategories, where relevant, can be found in the respective risk management sections.

Third-party outsourcing risk

To identify and manage the operational risk inherent in its outsourcing activities, the Firm has a Third-Party Oversight ("TPO") framework to assist the lines of business and Corporate in selecting, documenting, onboarding, monitoring and managing their supplier relationships. The objective of the TPO framework is to hold third parties to the same high level of operational performance as is expected of the Firm's internal operations. The Corporate Third-Party Oversight group is responsible for Firmwide TPO training, monitoring, reporting and standards. The TPO framework is applied by the Company to manage its TPO engagements.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Risk management (continued)

Operational risk (continued)

Cybersecurity risk

Cybersecurity risk is an important, continuous and evolving focus for the Firm. The Firm devotes significant resources to protecting and continuing to improve the security of the Firm's computer systems, software, networks and other technology assets. The Firm's security efforts are designed to protect against, among other things, cybersecurity attacks by unauthorised parties attempting to obtain access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage. The Firm continues to make significant investments in enhancing its cyber-defence capabilities and to strengthen its partnerships with the appropriate government and law enforcement agencies and other businesses in order to understand the full spectrum of cybersecurity risks in the operating environment, enhance defences and improve resiliency against cybersecurity threats. The Firm actively participates in discussions of cybersecurity risks with law enforcement, government officials, peer and industry groups, and has significantly increased efforts to educate employees and certain clients on the topic.

Third parties with which the Firm does business or that facilitate the Firm's business activities (e.g., vendors) could also be sources of cybersecurity risk to the Firm. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by the employees of such parties, or cyber-attacks could affect their ability to deliver a product or service to the Firm or result in lost or compromised information of the Firm or its clients. Clients can also be sources of cybersecurity risk to the Firm, particularly when their activities and systems are beyond the Firm's own security and control systems. As a result, the Firm engages in regular and ongoing discussions with certain vendors and clients regarding cybersecurity risks and opportunities to improve security. However, where cybersecurity incidents are due to client failure to maintain the security of their own systems and processes, clients will generally be responsible for losses incurred.

To protect the confidentiality, integrity and availability of the Firm and Company's infrastructure, resources and information, the Firm leverages the ORMF to ensure risks are identified and managed within defined corporate tolerances. The Firm's Board of Directors and the Audit Committee are regularly briefed on the Firm's cybersecurity policies and practices and ongoing efforts to improve security, as well as its efforts regarding significant cybersecurity events.

Compliance risk

Compliance risk is the risk of failure to comply with legal or regulatory obligations or code of conduct and standards of self-regulatory organisations applicable to the business activities of the Firm.

Each LOB and Corporate within the Company hold primary ownership and accountability for managing compliance risks. The Firm's Compliance Organisation ("Compliance"), which is independent of the line of business, works closely with senior management to provide independent review, monitoring and oversight of business operations with a focus on compliance with the regulatory obligations applicable to the offering of the Firm's products and services to clients and customers.

These compliance risks relate to a wide variety of legal and regulatory obligations, depending on the LOB and the jurisdiction, and include those related to products and services, relationships and interactions with clients and customers, and employee activities. For example, compliance risks include those associated with anti-money laundering compliance, trading activities, market conduct, and complying with the rules and regulations related to the offering of products and services across jurisdictional borders, among others.

Other functions such as Finance (including Tax), Technology and Human Resources provide oversight of significant regulatory obligations that are specific to their respective areas of responsibility.

Compliance has implemented various practices designed to identify and mitigate compliance risk by establishing policies, testing, monitoring, training and providing guidance. The Firm has experienced heightened scrutiny by its regulators of its compliance with regulations, and with respect to its controls and operational processes. The Firm expects that such regulatory scrutiny will continue.

Governance and oversight

Compliance is led by the Firms' Chief Compliance Officer ("CCO") who reports to the Firm's CRO. The regional CCOs, including the EMEA CCO, are part of this structure.

The Firm maintains oversight and coordination of its Compliance Risk Management practices through the Firm's CCO, lines of business CCOs and regional CCOs who implement the Compliance program globally across the lines of business and regions. At a Company level, in the UK the regional CCO is a member of the UK Management Committee (restructured from January 2018 to form the EMEA Management Committee) and the UK Audit & Compliance Committee.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Risk management (continued)

Compliance risk (continued)

The Firm has in place a Code of Conduct ("Code") which applies to the Company. Each employee is given annual training in respect of the Code and is required annually to affirm his or her compliance with the Code. The Code sets forth the Firm's core principles and fundamental values, including that no employee should ever sacrifice integrity - or give the impression that he or she has. The Code requires prompt reporting of any known or suspected violation of the Code, any internal Firm policy, or any law or regulation applicable to the Firm's business. It also requires the reporting of any illegal conduct, or conduct that violates the underlying principles of the Code, by any of the Firm's employees, customers, suppliers, contract workers, business partners, or agents. Specified employees are specially trained and designated as "code specialists" who act as a resource to employees on Code matters. In addition, concerns may be reported anonymously and the Firm prohibits retaliation against employees for the good faith reporting of any actual or suspected violations of the Code. The Code and the associated employee compliance program are focused on the regular assessment of certain key aspects of the Firm's culture and conduct initiatives.

Conduct risk

Conduct risk is the risk that any action or inaction by an employee or employees could lead to unfair client or customer outcomes, impact the integrity of the markets in which the Firm operates, or compromise the Firm's reputation.

Overview

Each LOB and Corporate is accountable for identifying and managing its conduct risk to provide appropriate engagement, ownership and sustainability of a culture consistent with the Firm's How We Do Business Principles (the "Principles"). The Principles serve as a guide for how employees are expected to conduct themselves. With the Principles serving as a guide, the Firm's Code sets out the Firm's expectations for each employee and provides information and resources to help employees conduct business ethically and in compliance with the law everywhere the Firm operates. For further discussion of the Code, refer to Compliance Risk Management.

Governance and oversight

The Firm's Conduct Risk Programme is governed by a Board-level approved Conduct Risk Governance Policy. The Conduct Risk Governance Policy ("CRSG") establishes the framework for ownership, assessment, managing and escalating conduct risk in the Firm. The CRSG provides oversight of the Firm's conduct initiatives to develop a more holistic view of conduct risks and to connect key programmes across the Firm in order to identify opportunities and emerging areas of focus. The CRSG may escalate systemic conduct risk issues to the Firmwide Risk Committee ("FRC") and as appropriate to the DRPC. The misconduct (actual or potential) of individuals involved in material risk and control issues are escalated to the Human Resource ("HR") Control Forum. Certain committees of the Board oversee conduct risk issues within the scope of their responsibilities. Conduct risk management encompasses various aspects of people management practices throughout the employee life cycle, including recruiting, onboarding, training and development, performance management, promotion and compensation processes. Each LOB, Treasury and Chief Investment Office and designated corporate function completes an assessment of conduct risk quarterly, reviews metrics and issues which may involve conduct risk, and provides business conduct training as appropriate.

Reputation risk

Reputation risk is the potential that an action, inaction, transaction, investment or event will reduce trust in the Firm's integrity or competence by its various constituents, including clients, counterparties, customers, investors, regulators, employees, communities or the broader public.

Reputation Risk Management is an independent risk management function that establishes the governance framework for managing reputation risk across the Firm.

The types of events that give rise to reputation risk are broad and could be introduced in various ways, including by the Firm's employees and the clients, customers and counterparties with which the Firm does business. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Firm. As reputation risk is inherently difficult to identify, manage, and quantify, an independent reputation risk management governance function is critical.

Governance and oversight

The Firm's Reputation Risk Governance policy establishes the principles for managing reputation risk for the Firm. It is the responsibility of employees in each LOB and Corporate to consider the reputation of the Company when deciding whether to offer a new product, engage in a transaction or client relationship, enter a new jurisdiction, initiate a business process or other matters. Increasingly, sustainability, social responsibility and environmental impacts are important considerations in assessing the Firm's reputation risk, and are considered as part of reputation risk governance.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Strategic report (continued)

Risk management (continued)

Reputation risk (continued)

The Firm's reputation risk governance framework applies to each LOB and Corporate. Each LOB Reputation Risk Office ("RRO") advises their business on potential reputation risk issues and provides oversight of policy and standards created to guide the identification and assessment of reputation risk. LOB Reputation Risk Committees and forums review and assess reputation risk for their respective businesses. Each function also applies appropriate diligence to reputation risk arising from their day-to-day activities. Reputation risk issues deemed significant are escalated to the appropriate LOB Risk Committee and/or to the Firmwide Risk Committee. Annual EMEA CIB Reputation Risk Committee update are provided to the ERC.

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, 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.

On behalf of the Board



Matthew Melling
Director

Date: 18 April 2019

J.P. MORGAN MANSART MANAGEMENT LIMITED

Directors' report

The directors present their report and the audited financial statements of J.P. Morgan Mansart Management Limited (the "Company") for the year ended 31 December 2018. The Company is part of JPMorgan Chase & Co. (together with its subsidiaries, the "Firm" or "JPMorgan Chase"). The registered number of the Company is 06420957.

Results and dividends

The results for the year are set out on page 14 and show the Company's loss for the financial year after taxation to be \$2,870,160 (2017: \$1,292,322).

No dividend was paid or proposed during the year (2017: \$nil).

Other matters

HM Treasury transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, that was effective 1 January 2014. The legislation requires the Company to publish additional information, in respect of the year ended 31 December 2018, by 31 December 2019. The disclosures that are required to be published in relation to these regulations are available on the Firm's website: <http://investor.shareholder.com/jpmorganchase>.

Information on the future outlook and corporate employee policy is included in the Strategic report.

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. Braithwait
M.P. Melling
S. Sadique

Directors' interests

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Directors' report (continued)

Disclosure of information to auditors

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

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

Qualifying third party indemnity provisions

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

Company secretary

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

J.P. Morgan Secretaries (UK) Limited

Registered address

25 Bank Street
Canary Wharf
London E14 5JP
England

Independent auditors

Resolutions to reappoint PricewaterhouseCoopers LLP as independent auditors of the Company and to authorise the directors to set the auditors' remuneration will be proposed at the annual general meeting.

On behalf of the Board



Matthew Melling
Director

Date: 18 April 2019

Independent auditors' report to the members of J.P. Morgan Mansart Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, J.P. Morgan Mansart Management 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2018; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

Reporting on other information

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

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

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

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

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

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 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 set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

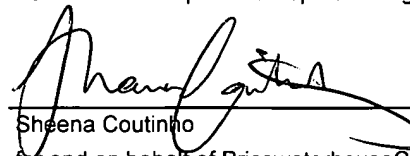
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

 18th April 2019
Sheena Coutinho

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

J.P. MORGAN MANSART MANAGEMENT LIMITED

Income statement

| Year ended 31 December | | 2018 | 2017 |
|--------------------------------------|------|--------------------|--------------------|
| | Note | \$ | \$ |
| Operating income | 6 | 2,298,136 | 3,651,421 |
| Operating expense | 6 | (1,829,170) | (1,879,542) |
| Administrative expenses | | (3,471,754) | (3,108,726) |
| Other income | 7 | 33,904 | 2,487 |
| Operating loss | | (2,968,884) | (1,334,360) |
| Interest and similar income | 8 | 117,398 | 46,813 |
| Interest expense and similar charges | 9 | (18,674) | (4,775) |
| Loss before income tax | 10 | (2,870,160) | (1,292,322) |
| Income tax | 11 | — | — |
| Loss for the financial year | | (2,870,160) | (1,292,322) |

Statement of comprehensive income

There were no other items of comprehensive income or expense other than the loss for the financial year shown above (2017: \$nil). As a result, loss for the financial year represents total comprehensive expense in both the current and prior financial year.

The notes on pages 17 - 27 form an integral part of these financial statements.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Balance sheet

| 31 December | | 2018 | 2017 |
|--|------|-------------------|-------------------|
| | Note | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 13 | 15,039,799 | 17,004,256 |
| Debtors | 14 | 1,366,872 | 1,236,755 |
| | | 16,406,671 | 18,241,011 |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 15 | (2,531,571) | (1,495,751) |
| Net current assets | | 13,875,100 | 16,745,260 |
| Net assets | | 13,875,100 | 16,745,260 |
| Equity | | | |
| Called-up share capital | 16 | 25,000,002 | 25,000,002 |
| Other reserves | | 34,864 | 34,864 |
| Accumulated losses | | (11,159,766) | (8,289,606) |
| Total equity | | 13,875,100 | 16,745,260 |

The notes on pages 17 - 27 form an integral part of these financial statements.

The financial statements on pages 14 - 27 were approved by the Board of Directors on 18 April 2019 and signed on its behalf by:



Matthew Melling
Director

Date: 18 April 2019

J.P. MORGAN MANSART MANAGEMENT LIMITED
Statement of changes in equity

| | Called-up share capital | Other reserves | Accumulated losses | Total equity |
|---------------------------------------|----------------------------|-------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance as at 1 January 2017 | 25,000,002 | 34,864 | (6,997,284) | 18,037,582 |
| Loss for the financial year | — | — | (1,292,322) | (1,292,322) |
| Balance as at 31 December 2017 | 25,000,002 | 34,864 | (8,289,606) | 16,745,260 |
| Loss for the financial year | — | — | (2,870,160) | (2,870,160) |
| Balance as at 31 December 2018 | 25,000,002 | 34,864 | (11,159,766) | 13,875,100 |

Other reserves relate to share based payment awards granted to employees by the Company.

The notes on pages 17 - 27 form an integral part of these financial statements.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements

1. General information

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

2. Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006. Reclassification of prior year amounts have been made to conform with current year presentations and to provide additional transparency and information on the nature of the balances in these financial statements.

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 IFRS (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).

2.1 Accounting and reporting developments

Standards adopted during the year ended 31 December 2018

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 resulted in changes to the classification and measurement of financial assets including the impairment of financial assets and the presentation of gains and losses related to certain financial liabilities designated at fair value through profit or loss. Refer to note 4 for more information about the changes to the Company's accounting policies.

The requirements of IFRS 9 have been applied effectively from 1 January 2018. As permitted by the transition provisions of IFRS 9, the Company elected not to restate comparative periods.

Refer to note 19 for more information about the Company's transition to IFRS 9.

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 income statement, 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.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements

2.1 Accounting and reporting developments (continued)

Standards adopted during the year ended 31 December 2018 (continued)

Adoption of IFRS 15 (continued)

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.

For more information about the Company's revenue see note 6.

3. Critical accounting estimates and judgements

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

4. Significant accounting policies

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

4.1 Foreign currency translation

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

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

4.2 Functional and presentation currency

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

4.3 Income and expense recognition

Asset management fees

This revenue category includes fees from investment management and related services.

Investment management fees are typically based on the value of assets under management and are collected and recognised at the end of each period over which the management services are provided and the value of the managed assets is known. The Company has contractual arrangements with third parties for providing distribution and other services in connection with its asset management activities.

Amounts paid to third-party service providers are recorded in operating expenses under fund related expense. Operating expenses include, but not limited to custody costs, settlement and exchange fees, regulatory fees, administrative, audit or legal fees. Expenses are recognised when the underlying contract becomes legally binding or at the agreed due date if later.

4.4 Provisions

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

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.5 Pensions and other post-retirement benefits

The Company operates a defined contribution scheme for its employees.

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.

4.6 Share-based payment awards

Share-based payment awards may be made to employees of the Company under the Firm'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 Firm's incentive programs is taken into consideration. The Firm'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.

4.7 Cash and cash equivalents

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

4.8 Current and deferred 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.

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

4.9 Financial instruments

Changes in accounting policies

On adoption of IFRS 9 on 1 January 2018, the Company replaced or substantially revised its accounting policies for classification and measurement of financial assets and financial liabilities, and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures' ("IFRS 7"). The IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

These new or revised policies are set out in the following table along with the corresponding policy under IAS 39. Because the Company elected not to restate comparative periods on adoption of IFRS 9, the IAS 39 policies should be used to understand the differences in accounting policies with the comparative prior period information presented in these financial statements.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.1 Financial assets and financial liabilities

| IFRS 9 | IAS 39 |
|---|---|
| Financial assets and financial liabilities | |
| i. Recognition of financial assets and financial liabilities | |
| The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised using trade-date accounting. | The Company recognises derivatives on its balance sheet when it becomes a party to the contractual provisions of the instruments. Loans and receivables and financial liabilities at amortised cost are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. |
| ii. Classification and measurement of financial assets and financial liabilities | |
| On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. On initial recognition, financial liabilities are classified as measured at either amortised cost or fair value through profit or loss. | The Company classifies its financial assets and financial liabilities in the following categories on initial recognition: Financial assets and financial liabilities held for trading, financial assets and financial liabilities designated at fair value through profit or loss, and loans and receivables and financial liabilities held at amortised cost. |

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.1 Financial assets and financial liabilities (continued)

| IFRS 9 | IAS 39 |
|--|---|
| Financial assets and financial liabilities | |
| Financial assets and financial liabilities measured at amortised cost | Loans and receivables and financial liabilities at amortised cost |
| <p>Financial assets are measured at amortised cost if they are held under a business model with the objective to collect contractual cash flows ("Hold to Collect") and they have contractual terms under which cash flows are solely payments of principal and interest ("SPPI"). In making the SPPI assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. As a result of the application of these criteria, only debt financial assets are eligible to be measured at amortised cost.</p> <p>Financial assets measured at amortised cost include cash and cash equivalents and debtors.</p> <p>Financial liabilities are measured at amortised cost unless they are held for trading or a designated as measured at fair value through profit or loss. Financial liabilities measured at amortised cost include trade creditors and accruals.</p> <p>Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value including transaction costs. The initial amount recognised is subsequently reduced for principal repayments and for accrued interest using the effective interest method. In addition, the carrying amount of financial assets is adjusted by recognising an expected credit loss allowance through to profit or loss.</p> <p>The effective interest method is used to allocate interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or a shorter period when appropriate, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issuance or disposal of a financial asset or financial liability.</p> | <p>Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market except those that are classified as held for trading or designated at fair value through profit or loss. Loans and receivables include cash and cash equivalents and debtors.</p> <p>Loans and receivables are initially recognised at fair value including directly related incremental transaction costs. They are subsequently measured at amortised cost, including any provision for impairment losses. Interest is recognised in the income statement as 'interest and similar income' using the effective interest rate method.</p> <p>Financial liabilities include trade creditors and accruals and are recognised initially at fair value including directly related incremental transaction costs and subsequently measured at amortised cost using the effective interest method.</p> <p>The effective interest method is used to calculate the amortised cost of a financial asset or financial liability (or a group of financial assets or financial liabilities). It is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.</p> |

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.2 Impairment of financial assets

| IFRS 9 | IAS 39 |
|--|--|
| Impairment of financial assets | Impairment of financial assets |
| <p>The Company recognises ECL for financial assets that are measured at amortised cost.</p> <p>Provisions for ECL are recognised on initial recognition of the financial instrument based on expectations of credit losses at that time. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also includes lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3"). In determining the appropriate stage for a financial instrument, the Company applies the definition of default consistent with the Basel definition of default to maintain uniformity of the definition across the Firm.</p> <p>The determination of the stage for credit losses under the ECL model is dependent on the measurement of a significant increase in credit risk ('SICR'). In determining SICR, the Company has conducted quantitative tests, which considers, but is not limited to, existing risk management indicators, credit rating changes and reasonable and supportable forward-looking information. Forward-looking information reflects a range of scenarios that incorporate macro-economic factors that are composed and monitored by the Firmwide specialised economic forecasting team.</p> <p>The key input components for the quantification of expected credit loss through the ECL model includes the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The Company seeks to efficiently and effectively leverage as much as possible existing regulatory and capital frameworks where overlap is present for IFRS 9. Differences observed between content in existing frameworks and requirements under IFRS 9 have been identified and are adjusted accordingly. The inputs to the ECL model capture historical datasets and a reasonable and supportable forecasting horizon to estimate expected credit losses.</p> | <p>The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event (or events) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.</p> <p>Impairment losses on loans and receivables are measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's effective interest rate. The loss is recognised in the income statement against the carrying amount of the impaired asset on the balance sheet. Interest continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset.</p> <p>Specific provisions are raised against loans and receivables when the Company considers that the credit worthiness of the borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. Impairment provisions are also raised to cover losses which, although not specifically identified, are known from experience to have occurred in the portfolio of loans and receivables at the balance sheet date. These provisions are adjusted on a monthly basis by an appropriate charge or reversal of the provision following an assessment of the loans and receivables portfolio.</p> <p>Impairment provisions are determined by modelling the current exposure, taking into account such factors as duration and probabilities of default.</p> <p>If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed in the income statement. The amount of reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.</p> |

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

4. Significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.3 Interest income and expense

| IFRS 9 | IAS 39 |
|---|---|
| Interest income and interest expense | Interest income and interest expense |
| Unless a financial asset is credit-impaired, interest income is recognised by applying the effective interest method to the carrying amount of a financial asset before adjusting for any allowance for expected credit losses. If a financial asset is credit-impaired, interest income is recognised by applying the effective interest rate to the carrying amount of the financial asset including any allowance for expected credit losses. Interest expense on financial liabilities is recognised by applying the effective interest method to the amortised cost of financial liabilities. | Interest income and expense are recognised on an effective interest rate basis. All contractual terms of a financial instrument are considered when estimating future cash flows. |

4.10 Derecognition of financial assets and financial liabilities

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

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

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

4.11 Share Capital

The share capital of the Company consists of ordinary shares, classified as equity.

5. Segmental analysis

The Company is not in scope of IFRS 8 'Operating segments', as its debt or equity instruments are not traded on a public market, therefore segmental analysis of the Company's revenue and assets is not necessary.

6. Operating income and expense

| | 2018 | 2017 |
|----------------------------|----------------|------------------|
| | \$ | \$ |
| Asset management fees | | |
| Investment management fees | 2,298,136 | 3,651,421 |
| Fund costs | (1,829,170) | (1,879,542) |
| | 468,966 | 1,771,879 |

Investment management fees represents fees for risk management and strategic asset management services, via its fund solutions business. Previous year income includes fees received of \$603,114 from other JPMorgan Chase undertakings pertaining to backstop agreements. Fund costs includes operating costs paid by the Company on behalf of the fund. This arrangement may include payment of all the expenses or those expenses exceeding specific limit which has been agreed upon.

The Company has disclosed operating income instead of turnover as this reflects more accurately the results and nature of the Company's activities.

Presented within Investment management fees in 2017, interest income of \$46,813 and interest expenses of \$4,775 have been reclassified to interest and similar income and interest expenses and similar charges respectively, to better reflect the substance of the balance and to conform with current year presentation, with a net income statement impact of \$nil (Refer to note 8 and 9).

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

7. Other income

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| | \$ | \$ |
| Foreign exchange translation gain | 33,904 | 2,487 |

8. Interest and similar income

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Interest and similar income: | | |
| Financial instruments at amortised cost | 117,398 | 46,813 |

Prior year amounts have been restated to conform to current year presentation, refer note 6.

9. Interest expenses and similar charges

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Interest expense and similar charges: | | |
| Financial instruments at amortised cost | 18,674 | 4,775 |

Prior year amounts have been restated to conform to current year presentation, refer note 6.

10. Loss before income tax

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss before income tax is stated after charging: | | |
| Auditors' remuneration for the audit of the Company's annual financial statements | 83,430 | 24,567 |
| Audit-related assurance services | 28,680 | 24,055 |
| Wages and salaries | 1,625,099 | 1,436,386 |
| Social security costs | 262,064 | 242,178 |
| Other pension and benefit costs | 154,951 | 141,404 |
| Share based payments | 278,572 | 227,569 |

The average monthly number of persons providing services to the Company during the year was 6 (2017: 6).

Administrative expenses include professional fees of \$540,332 (2017: \$806,310), other expenses of \$498,626 (2017: \$206,257).

11. Income tax

| | 2018 | 2017 |
|--|-------------|-------------|
| | \$ | \$ |
| (a) Analysis of tax charge for the year | | |
| Current taxation | | |
| UK Corporation tax on loss for the year | — | — |
| Total tax expense for the year | — | — |

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

11. Income tax (continued)

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

The tax charge for the year differs from the standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss before income tax | (2,870,160) | (1,292,322) |
| Loss before income tax multiplied by standard rate of UK corporation tax 19% (2017: 19.25%) | (545,330) | (248,728) |
| Effects of: | | |
| Non deductible expenses | 14,582 | 2,792 |
| Loss surrendered for nil consideration | 530,748 | 245,936 |
| Total tax expense for the year | — | — |

12. Directors' emoluments and staff costs

| | 2018 | 2017 |
|--|--------|---------|
| | \$ | \$ |
| Emoluments* | 34,318 | 480,935 |
| Total contributions to a defined contribution plan | 742 | 15,261 |
| Total value of long term incentive plans (LTIPs) (including deferred cash) for all directors | 4,355 | 185,653 |
| Number of directors with shares received or receivable under LTIPs | 3 | 1 |
| Number of directors to whom defined contribution pension rights accrued | 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.

Highest paid director

For 2018, the emoluments of the highest paid director is under £200,000 which is not required to be disclosed under the requirements of the Companies Act 2006.

For 2017, the emoluments (excluding amounts paid or due to directors under long term incentive plans ("LTIPs") and the value of share options granted or exercised) of the highest paid director were \$455,276.

The contribution to the defined contribution scheme for the highest paid director in 2017 was \$14,716.

13. Cash and cash equivalents

All bank balances are held with JPMorgan Chase undertakings.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

14. Debtors

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| Trade debtors | 1,366,872 | 633,641 |
| Amounts owed by JPMorgan Chase undertakings | — | 603,114 |
| | 1,366,872 | 1,236,755 |

15. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|-----------------|------------------|------------------|
| | \$ | \$ |
| Trade creditors | 1,455,104 | 523,711 |
| Accruals | 1,076,467 | 972,040 |
| | 2,531,571 | 1,495,751 |

Trade creditors and accruals includes balances owed to JPMorgan Chase undertakings of \$543,543 (2017: \$439,542).

16. Called-up share capital

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Issued and fully paid share capital | | |
| 1 (2017: 1) Ordinary share of £1 | 2 | 2 |
| 25,000,000 (2017: 25,000,000) Ordinary shares of \$1 each | 25,000,000 | 25,000,000 |
| | 25,000,002 | 25,000,002 |

17. Pension costs

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

The Company recorded a total pension expense of \$104,923 for the year 2018 (2017: \$93,268).

18. Share based payments

Employee stock-based awards

The ultimate parent of the Company, JPMorgan Chase & Co. (the "Firm") has granted long-term stock-based awards to certain key employees under its LTIP (Long Term Incentive Plan), as amended and restated effective May 19, 2015 and further amended and restated effective May 15, 2018. Under the terms of the LTIP, as of 31 December 2018, 86 million shares of common stock were available for issuance through May 2022 (2017: 67 million shares). 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.

J.P. MORGAN MANSART MANAGEMENT LIMITED

Notes to the financial statements (continued)

18. Share based payments (continued)

Employee stock-based awards (continued)

The Firm separately recognises compensation expense for each tranche of each award as if it were a separate award with its own vesting date. For each tranche granted, compensation expense is recognised in line with how awards vest 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 in line with how awards vest from the grant date until the earlier of the employee's full-career eligibility date or the vesting date of the respective tranche.

Restricted stock units

Restricted stock units ("RSUs") are awarded at no cost to the recipient upon their grant. RSUs are generally granted annually and generally vest at a rate of 50% after two years, 50% after three years, and convert into shares of common stock at 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 of these awards are subject to forfeiture until vested and contain clawback provisions that may result in cancellation prior to vesting under certain specified circumstances. RSUs entitle the recipient to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSUs are outstanding.

Compensation expense for RSUs is measured based upon the number of shares granted multiplied by the stock price at the grant date, and for employee stock options and SARs (stock appreciation rights), is measured at the grant date using the Black-Scholes valuation model. Compensation expense for these awards is recognised as described above.

Broad-based employee stock options

No broad-based employee stock options were granted in 2017 or in 2018. In prior years, awards were granted by the Firm under the Value Sharing Plan, a non-shareholder-approved plan. For each grant, the exercise price was equal to the Firm's common stock price on the grant date. The options become exercisable over various periods and generally expire 10 years after the grant date.

The weighted-average share price during the year ended 31 December 2018 was \$110.72 (2017: \$92.01).

Compensation expense related to stock-based incentives

The total expense for the year relating to share based payments was \$278,572 (2017: \$227,569), all of which relates to equity settled share based payments.

19. Transition to IFRS 9

The adoption of IFRS 9 has resulted in no material impact to the Company.