J.P. MORGAN SAUDI ARABIA COMPANY

Board Report 2018

J.P.Morgan

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Appendices

1. Overview

J.P. Morgan Saudi Arabia Company (a single shareholder closed joint stock company) ("JPMSA" or the "Company") was established as a limited liability company on 27th November 2007 and licensed by the Capital Market Authority with effect from 22nd July 2007 to engage in dealing as agent in international markets, arranging, advising and custody activities and commenced its business on 14th January 2008. On 11th November 2012, JPMSA was awarded a CMA license to amend its activities to include dealing as principle, dealing as agent in the local market and underwriting and commenced its business on 6th October 2015.

In 2017, the company converted from a Limited Liability Company to a Single Shareholder Closed Joint Stock Company as directed by the CMA. The Company is a direct subsidiary of J.P. Morgan International Finance Limited ("JPMIF") which owns 100% of the Company. The Company currently has paid up share capital of SAR 93,750,000 which was approved as a capital increase by the CMA on 26th April 2015.

JPMSA is located in Riyadh on the 8th floor of the Al Faisaliah Tower. The Company's clients include banks, government institutions, large corporate clients and large family groups. JPMSA does not own or control any other company or has any subsidiaries.

The Company continues to invest in people and expanding its platform capability to enable seamless local and international client execution. Furthermore, the company managed to rollout Direct Custody business, Qualified Foreign Investor (QFI)/Independent Custody Member (ICM) , and Algorithmic trading product offering in 2018.

2. Licenses

Arranging

The Investment Banking team at JPMSA participates in arranging transactions on equity, debt or hybrid offerings. JPMSA originates and executes while it has SLAs in place to receive support from other J.P. Morgan entities.

Advisory

JPMSA is licensed to advise clients on M&A, disposals, joint ventures, corporate restructurings, privatization and provides research and financial services.

Underwriting

The Company is licensed to underwrite public transactions in Saudi Arabia.

Custody

JPMSA supports JPMorgan's Global Custody clients investing in international assets by establishing relationship management and local client service capabilities in the Kingdom. This group supports Saudi and GCC clients including government entities, investment firms, and banks. Additionally, the Company has rolled out Direct Custody product in 2018. This product will enable JPMSA to provide services to internal and 3rd party clients.

Dealing as Agent and Principal

JPMSA provides brokerage services on Tadawul for local, GCC and QFI clients. JPMSA went live with ICM agency business and Algorithmic Trading in 2018. To provide Saudi exposure to international clients, JPMSA provides synthetic exposure via ELN. JPMSA acts as an agent on behalf of other J.P. Morgan entities in marketing securities and other financial instruments including OTC derivatives transactions, foreign currency, rates and credit trading.

3. Financials

PWC conducted an external audit of JPMSA for fiscal year 2018 and provided an unqualified audit opinion that the financial statements present fairly, in all material respects, in accordance with International Financial Reporting Standards, that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA.

JPMSA's operating income in 2018 was SAR65mm, which has increased compared to prior year (2017: SAR37mm) driven by increased revenues in the Markets and Investment Banking businesses. Operating expenses (2018: SAR30mm) also increased compared to prior year (2017: SAR24mm) due to higher salaries and employee related benefits. The rate of increase in income and operating expenses over the five year's period is fairly similar at 63% and 58% respectively. Markets and Investment Banking businesses have been the main contributors to the income over the same period. The net margin in 2018 is above 40% whilst FY'16 & FY'17 being lower mainly due to expansion costs related to rollout of new products. Net profit after tax of SAR28mm for 2018 was higher compared to SAR10mm for 2017, driven by incremental revenues in 2018. The increase in assets by SAR 1.6 b in FY'18 is due to Swaps business which is booked on-balance sheet. A summary of last 5 year's key financial metrics is stated below:

SAR'mm	FY'18	FY'17	FY'16	FY'15	FY'14
Total Assets	1,729	159	150	147	106
Total Liabilities	1,553	10	10	16	8
Total Equity	176	149	140	131	98
Total Liabilities and Equity	1,729	159	150	147	106
Income	65	37	42	63	40
Expenses	(30)	(24)	(30)	(22)	(19)
Taxation	(7)	(3)	(3)	(8)	(3)
Net income	28	10	9	33	18

Significant transactions with related parties in the ordinary course of business are summarized in the Notes to the Financial Statements.

4. Company's Risks

Credit risk arises as a result of JPMSA operational balances being held with local banks rated no less than BBB+ (or equivalent) by major rating agencies or with JPMorgan Chase Bank, N.A. Settlement lines are also granted to certain cash equities trading clients.

Market risk arises as a result of the translation of non-SAR denominated balances into SAR for reporting purposes. Market risk could also arise as a result of a trade rejection under the Qualified Foreign Investor / Independent Custody Model cash equities trading models. JPMSA policy is to sell such positions as soon as possible in the market.

The company currently has no debt. JPMSA has been provided a guarantee facility by SABB to support the equities and custody business settlement activity with the exchange (Tadawul). SABB guarantees JPMSA's settlement liabilities to the exchange. JPMSA provided an order note of SAR 450mm to SABB on the back of a committed facility.

Operational risk is inherent in JPMSA's activities. To monitor and control operational risk, JPMorgan maintains an overall Operational Risk Management Framework ("ORMF") designed to maintain a sound and well-controlled operational environment. The four main components of the ORMF include: governance, risk identification and assessment, monitoring and reporting, and measurement.

5. Board Member Interests

Details of Board members' appointments as a board member in other companies are listed in Appendix 1. No securities, contractual interests or subscription rights belong to the directors or any associate to them in the company's shares or debt.

6. Board Members and Meetings

As at the end of 2018, the Board of Directors is composed of five members, including independent members. One Board member, Mr. Sjoerd Leenart resigned during the year and the Board is in the process of filling this position. The Board met during 2018 two times in the presence of a majority of its members. Attached Appendix 2 the number of meetings attended by each director.

Board Members:

Name	Position
HRH Prince Mohammed Khalid Al Faisal Al Saud	Chairman and Independent Board Member
Bader Alamoudi	Vice-Chairman and Non-Executive Board Member
Ziyad Al Saleh	Independent Board Member
Sjoerd Leenart*	Non-Executive Board Member
Mohamed Agwah	Non-Executive Board Member
Fahad Aldeweesh	CEO and Executive Board Member

* Resigned during the year

Remunerations and Compensations:

The company's independent board members receive a disbursement of SAR 100,000 each. Other Board members do not receive any remuneration from the Company in their capacity as Board members. The Company is 100% owned by JPMIF and the Board members, senior executives or relatives do not hold any shares or debt instrument in the Company.

Attached as Appendix 3 the details of remuneration and compensation paid to Board of Directors and five senior executives including the CEO and CFO.

7. Main Committees of the Board of Directors

Internal Audit committee, Compliance committee, and Nomination & Remuneration Committee were established and approved by the Board.

Internal Audit Committee

Members of the Committee:

Name	Position
Bader Alamoudi	Chairman
Mohamed Agwah	Member
Fuad Khawaja	Member and Secretary

The responsibilities of the Committee shall be to:

- Review the annual Audit and Compliance plans for each business line, including areas of priority and focus and the process of determining what those are;
- Review overall financial and staffing resources available to both functions to meet the objectives of the plan, and management's responses to addressing resourcing issues which may arise;
- Monitor progress toward completion of the plans, including a summary of significant changes made to such plans;
- Receive from Internal Audit and Compliance, periodically, and from management, as appropriate, communications and presentations on significant operating and control issues in internal audit reports, compliance reviews, management letters, and regulatory authorities' examination reports, and management's response to them;
- Recommend to the Board of Directors the appointment, dismissal and the Remuneration of external auditors; upon any such recommendation, regard must be made to their independence;
- Supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties; and
- Initiate such other inquiries as it deems necessary or appropriate.

Compliance Committee

Members of the Committee:

Name	Position
Fahad Aldeweesh	Chairman
Sufiyan Khot	Member
Fuad Khawaja	Member
Adnan Alzahrani	Member and Secretary

The responsibilities of the Committee shall be to:

- Oversee the scope, structure and activities of compliance function to ensure compliance function carrying out its mandate;
- Regularly assess the compliance function independency;
- Ensure the firm's compliance with regulatory requirements and regulations;
- Assessing the compliance function controls regularly;
- Review and monitor the progress of correction actions and compliance plan implementation;
- Review the adequacy of internal policy and procedure to address the compliance need with the authority rules and regulation; and
- Communicating the deficiencies and recommending improvement to the Board of Directors.

Nomination and Remuneration Committee

Members of the Committee:

Name	Position
Bader Alamoudi	Chairman
Fahad Aldeweesh	Member
Karin Ovegren	Member and Secretary

The responsibilities of the Committee shall be to:

- Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honour or honesty is nominated for such membership;
- Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board;
- Review the structure of the Board of Directors and recommend changes;
- Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the company's interest;
- Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company;
- Draw clear policies regarding the indemnities and remunerations of the Board of Directors and top executives; in laying down such policies, the standards related to performance shall be followed.

8. Violations

No fines have been imposed by the CMA during 2018.

9. Internal Audit Reviews

Article 62 of the Capital Market Authority's Authorised Persons Regulations state that an authorised person's internal and external auditors must review books, accounts and other records related to securities business at least annually. Internal Audit performed an audit of JP Morgan Saudi Arabia Cash Equities business in 2018 to meet the annual audit requirement. All issues identified by Audit were subsequently addressed by the business and independently validated by Audit.

HRH Prince Mohammed Al Faisal Al Saud
Chairman of J.P. Morgan Saudi Arabia Company

Fahad Aldeweesh
CEO of J.P. Morgan Saudi Arabia Company

Adil Nooruddin
CFO of J.P. Morgan Saudi Arabia Company

Appendix 1:

a- Board Members Membership in Other Companies

Prince Mohammed Bin Khalid Abdullah Al Faisal Al Saud
Chairman & Independent Board Member

Entity	Position Held	Shareholding / Other Interests
Saudi Telecom Co.	**Chairman of the Board of Directors**	-
Al Faisaliah Group	**President**	Shareholder
AlKhozama Management Co.	**Board Member**	Chairman of the Remuneration & Compensation Committee
King Faisal Foundation	**Member of the General Assembly**	Member of the Audit Committee
King Khalid Foundation	**Member of the Board of Trustees**	Member of the Investment Committee
King Salman Center for Disability Research	**Member of the Board of Trustees**	Head of the Executive Committee
Harvard Alumni Saudi Arabia	**Board Member**	-
Harvard Business School	**Member of the MENA & Central Asia Advisory Board**	Member of the Global Leadership Circle
Al Faisal University	**Chairman of the Advisory Board of the College of Business**	-

Bader Alamoudi
Vice Chairman and Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Ziyad Al-Saleh
Independent Board Member

Entity	Position Held	Shareholding / Other Interests
A.K.AL-Muhaidib & Sons CJSC (AMG Group) Saudi	**Board Member**	-
Riyadh Cables Group of Companies - CJSC	**Board Member**	-
Gulf Union Insurance Co. JSC KSA	**Board Member**	-
Gulf Union Holding Co. Bahrain	**Board Member**	-

Al-Romansia	**Board Member**	-
Dr. Sulaiman AL-Habib Medical Services Group Holding Co.	**Board member**	-
Mashaer Holding JSC – Kuwait	**Board Member**	-
Pioneers Holdings JSC, Egypt	**Board Member**	-
Zahrawi Medical Co - UAE	**Board Member**	-

Fahad Aldeweesh
CEO and Executive Board Member

Entity	Position Held	Shareholding / Other Interests
King Faisal School	**Board Member**	-

Sjoerd Leenart
Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
Injaz Al-Arab	**Board Member**	-

Mohamed Agwah
Non-Executive Board Member

Entity	Position Held	Shareholding / Other Interests
-	-	-

Appendix 1:

b- Board Members Interests

Prince Mohammed Bin Khalid Abdullah Al Faisal Al Saud
Chairman & Independent Board Member

Interests	Contract name	Amount	Period
Board Member of AlKhozama Management Company	Office lease in Al Faisaliah Tower (346 sqm) with services charge	643,560 SR/year	5 years from August 1, 2017
Chairman of the Board of Saudi Telecom Company	Telecommunication services	27,024 SR	Service fee in 2018

Appendix 2: 2018 Board Meetings Attendance Record

Attendance Record of 2018 Board Meetings

Name	Position	26/03/2018	20/11/2018
HRH Prince Mohammed Khalid Al Faisal Al Saud	Chairman and Independent Board Member	Yes	Yes
Bader Alamoudi	Vice Chairman and Non-Executive Board Member	No	Yes
Ziyad Al Saleh	Independent Board Member	Yes	Yes
Sjoerd Leenart	Non-Executive Board Member	No	Yes
Mohamed Agwah	Non-Executive Board Member	Yes	Yes
Fahad Aldeweesh	CEO and Executive Board Member	Yes	Yes

Attendance Record of 2018 Nomination and Remuneration Committee

Name	Position	14/11/2018
Bader Alamoudi	Chairman	Yes
Fahad Aldeweesh	Member and CEO	Yes
Karin Ovegren	Member and Secretary	Yes

Attendance Record of 2018 Internal Audit Committee Meetings

Name	Position	22/03/2018	22/05/2018	27/09/2018	10/12/2018
Bader Alamoudi	Chairman	Yes	Yes	Yes	Yes
Mohamed Agwah	Member	Yes	Yes	Yes	Yes
Fuad Khawaja	Member & Secretary	Yes	Yes	Yes	Yes

Attendance Record of 2018 Compliance Committee Meetings

Name	Position	20/03/2018	28/05/2018	09/10/2018	02/12/2018
Fahad Aldeweesh	Chairman & CEO	Yes	Yes	Yes	Yes
Sufiyan Khot	Member	Yes	Yes	Yes	Yes
Fuad Khawaja	Member	Yes	Yes	Yes	No
Adnan Alzahrani	Member & Secretary	Yes	Yes	Yes	Yes

Appendix 3: Remuneration and Compensations

Remuneration and Compensations Disclosure in SAR

Item	Executive Members of the Board*	Non-Executive and Independent Members of the Board	Top Five Senior executives including the CEO and CFO
Wages and salaries	-	200,000	4,842,205
Allowances	-	-	81,116
Periodic and annual remunerations	-	-	3,542,913
Incentive plans	-	-	625,004
Commissions	-	-	-
Any other in kind benefits or reimbursements paid monthly or annually			

Note:
* The CEO is included in the top five Senior Executives. He is also an Executive Member of the Board but is not paid any specific fees for this role.

Appendix 4: Audited Financial Statement

J.P. MORGAN SAUDI ARABIA COMPANY

(A Single Shareholder Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2018

pwc

Independent auditor's report to the shareholder of JP Morgan Saudi Arabia Company (A Single Shareholder Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JP Morgan Saudi Arabia Company (formerly known as J.P. Morgan Saudi Arabia Limited) (the "Company") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of income for the year ended December 31, 2018;
- the statement of comprehensive income for the year ended December 31, 2018;
- the statement of cash flows for the year ended December 31, 2018; and
- the statement of changes in shareholder's equity for the year ended December 31, 2018;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's 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 are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of directors and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of Byrne Technical Services Company (continued)

Auditor's 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 auditor's 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

28 March 2019

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2018	As at December 31, 2017	As at May 23, 2017
Assets				
Current assets				
Cash and bank balances	4	**175,074**	145,389	137,263
Accounts receivables	5.2	**16,910**	13,001	284
Prepayments and other receivables	6	**431**	389	2,594
Investments held at FVSI	8	**1,536,546**	-	-
		1,728,961	158,779	140,141
Non-current assets				
Property and equipment, net	7	**34**	53	69
Total assets		**1,728,995**	158,832	140,210
Liabilities and shareholder's equity				
Liabilities				
Current liabilities				
Accrued expenses and other current liabilities	9	**8,186**	7,075	5,302
Accounts payable	5.2	**-**	188	-
Provision for income tax	13	**4,899**	192	-
		13,085	7,455	5,302
Non-current liability				
Employees' end of service benefits	10	**2,967**	2,743	2,813
Liabilities held at FVSI	8	**1,536,546**	-	-
		1,539,513	2,743	2,813
Total liabilities		**1,552,598**	10,198	8,115
Shareholder's equity				
Share capital	11	**93,750**	93,750	93,750
Statutory reserve	19	**10,389**	7,629	6,045
Re-measurement reserve for employees' end of service benefits		**869**	704	-
Retained earnings		**71,389**	46,551	32,300
Total shareholder's equity		**176,397**	148,634	132,095
Total liabilities and shareholder's equity		**1,728,995**	158,832	140,210
Capital commitments and contingencies	18			

The accompanying notes from 1 to 21 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of income
For the year and period ended December 31,
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2018	For the period from May 23, 2017 to December 31, 2017
Service fee income	5.1	**64,272**	32,504
Brokerage fee, net		**597**	1,274
Income from financial instruments held at FVSI, net		**-**	-
Operating income		**64,869**	33,778
Operating expenses			
Salaries and employee related benefits		**(20,316)**	(9,999)
Other general and administrative expenses	12	**(9,276)**	(4,869)
Rent and premises related expenses		**(784)**	(442)
Depreciation	7	**(19)**	(18)
Total operating expenses		**(30,395)**	(15,328)
Total operating income		**34,474**	18,450
Other income			
Exchange loss		**(30)**	(13)
		(30)	(13)
Income before tax charge		**34,444**	18,437
Income tax charge	13	**(6,846)**	(2,602)
Net income for the year / period		**27,598**	15,835

The accompanying notes from 1 to 21 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2018	For the period from May 23, 2017 to December 31, 2017
Net income for the year / period		**27,598**	15,835
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of income			
- Remeasurements of employees' end of service benefits	10	**165**	704
Other comprehensive income for the year / period		**165**	704
Total comprehensive income for the year / period		**27,763**	16,539

The accompanying notes from 1 to 21 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2018	For the period from May 23, 2017 to December 31, 2017
Cash flow from operating activities			
Net income before tax for the year / period		**34,444**	18,437
Adjustments for non-cash charges and other items			
Depreciation	7	**19**	18
Provision for employee end of service benefits	10	**893**	583
Income from financial instruments at FVIS, net		**-**	-
Changes in working capital:			
Due from related parties		**(3,909)**	(12,717)
Prepayments and other receivables		**(42)**	2,205
Accrued expenses and other current liabilities		**1,111**	1,773
Due to related parties		**(188)**	188
Employee termination benefits paid / transferred during the year / period	10	**(504)**	51
Income tax paid during the year/period	13	**(2,139)**	(2,410)
Net cash generated from operating activities		**29,685**	8,128
Cash flow from investing activities			
Purchase of property and equipment, net		**-**	(2)
Purchase of investments held at FVSI		(2,749,435)	-
Disposal of investments held at FVSI		1,230,176	-
Net cash utilized in investing activities		**(1,519,259)**	(2)
Cash flow from financing activity			
Liabilities held at FVSI		1,519,259	-
Net cash generated from financing activity		**1,519,259**	-
Net increase in cash and cash equivalents		**29,685**	8,126
Cash and cash equivalents at the beginning of the year / period		**145,389**	137,263
Cash and cash equivalents at the end of the year / period		**175,074**	145,389

The accompanying notes from 1 to 21 form an integral part of these financial statements.

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Statement of changes in shareholder's equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Remeasurement reserve for employees' end of service benefits	Retained earnings	Total
Balance at May 23, 2017	93,750	6,045	-	33,876	133,671
Impact of adoption of IFRS	-	-	-	(1,576)	(1,576)
Restated balance at May 23,2017	93,750	6,045	-	32,300	132,095
Net income for the period	-	-	-	15,835	15,835
Other comprehensive income for the period	-	-	704	-	704
Total comprehensive income for the period	**-**	**-**	**704**	**15,835**	**16,539**
Transfer to statutory reserve	-	1,584	-	(1,584)	-
December 31, 2017	**93,750**	**7,629**	**704**	**46,551**	**148,634**
January 1, 2018	**93,750**	**7,629**	**704**	**46,551**	**148,634**
Impact of adopting IFRS 9 at January 1, 2018	-	-	-	-	-
Restated balance at January 1, 2018	**93,750**	**7,629**	**704**	**46,551**	**148,634**
Net income for the year	-	-	-	27,598	27,598
Other comprehensive income for the year	-	-	165	-	165
Total comprehensive income for the year	**-**	**-**	**165**	**27,598**	**27,763**
Transfer to statutory reserve	-	2,760	-	(2,760)	-
December 31, 2018	**93,750**	**10,389**	**869**	**71,389**	**176,397**

The accompanying notes from 1 to 21 form an integral part of these financial statements.

1 General information

J.P. Morgan Saudi Arabia Company *(formerly known as J.P. Morgan Saudi Arabia Limited)* (the "Company") is a single shareholder closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010240801 issued in Riyadh on Dhul Qadah 17,1428H (corresponding to November 26, 2007), Saudi Arabian General Investment Authority ("SAGIA") license No. 2031026532-01 dated Shaban 22, 1428H (corresponding to September 4, 2007) and the Capital Market Authority ("CMA") license No. 12164-37 dated Dhul-Hijaa 26, 1433H (corresponding to November 11, 2012).

The Company was converted from a limited liability company to a single shareholder closed joint stock company on Shaban 27, 1438H (corresponding to May 23, 2017) which is the date of the new commercial registration. As per the new By-laws of the Company, the Company's first fiscal period under legal status of a single shareholder closed joint stock company was from the date of commercial registration as a single shareholder closed joint stock company i.e. May 23, 2017 and ended on December 31, 2017. The Company's financial statements for the subsequent years are prepared from January 1 to December 31 of each Gregorian year.

The accompanying financial statements were approved by the management on March 25, 2019.

Initially the Company was established to conduct investment banking activities in the field of arranging, advising, custody and dealing as an agent in respect of securities business, not including margin trading transactions. During 2012, the Company obtained provisional CMA licenses dated Dhul-Hijaa 26, 1433H (corresponding to November 11, 2012) to amend the business activities to conduct dealing as principal and agent, underwriting, mutual fund management, discretionary portfolio management, arranging, advising and custody. However, there were no business activities executed by the Company with reference to some of these provisional licenses. During 2017, the Company was recognized by the Saudi Stock Exchange (Tadawul) as an Exchange member to perform brokerage activities. The membership was granted following fulfillment of technical and legal requirements laid down by the Tadawul.

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. Where policies are applicable only after or before January 1, 2018, those policies have been particularly specified.

2.1 Basis of preparation

(i) Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA.

For all periods up to and including the period ended December 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the SOCPA ("previous GAAP") and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements. SOCPA's Board of Directors in their meeting held on Thursday, July 18, 2013, (corresponding to Ramadan 10, 1434H), agreed to apply IFRS, after being endorsed by SOCPA, all at once. The required date for application for all entities (other than listed entities) is the financial periods starting from January 1, 2018.

These are the Company's first financial statements prepared in accordance IFRS 1 *First-time Adoption of International Financial Reporting Standards.* In preparing these financial statements, the Company's opening statement of financial position was prepared as at May 23, 2017, which is the Company's date of transition to IFRS, in compliance with IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

An explanation of how the transition to IFRSs has affected the reported financial position, statements of income, comprehensive income and cash flows of the Company is provided in Note 3.

(ii) Basis of measurement

These financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of instruments held at fair value through statement of income (FVSI)
  - Employees' end of service benefits (EOSB) carried at present value using actuarial valuation.
- Using the accrual basis of accounting.

(iii) Foreign currency translations and presentation currency

(a) Reporting currency

These financial statements are presented in Saudi Riyals ("SR") which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Arabian Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. Such exchange adjustments were not significant for the year/period ended December 31, 2018 and 2017, respectively.

(iv) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

a. Measurement of the expected credit loss allowance (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in Note 2.2.4 "Impairment of financial assets", which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL;
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL; and
(v) Determining the loss given default (LGD) in case on highly collateralized exposures and exposure to related parties.

"Detailed information about the judgments and estimates by the Company in the above is set out in Note 2.2.4 Impairment of financial assets".

b. Employees' *end of service benefits (EOSB)*

The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

c. Provision for liabilities and charges

The Company receives legal claims against it in the normal course of its business. Management make judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per the Law.

(v) New standard or amendment issued but not yet effective and not early adopted by the Company

The following standard or amendment has not been early adopted by the Company:

IFRS 16 'Leases'

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify lease as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company has not early adopted IFRS 16. The Company management believes that impact of IFRS 16 is not significant since there are no significant operating lease arrangements at reporting date.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after 1 January 2019

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period.

For other Standards, amendments or interpretations effective for annual periods beginning on or after 1 January 2019, the Company does not anticipate that these will have a material impact on the Company's financial statements.

2.1 Cash and bank balances

Cash and bank balances include cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and bank balances are carried at amortized cost in the statement of financial position.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.2 Financial Instruments

2.2.1 Adoption of new standards

Effective 1 January 2018, the Company has adopted the new accounting standard, the impact of the adoption of this standard is explained below:

IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized below. As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 3), the Company elected not to restate comparative figures.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in notes below.

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA and IFRS 9 as at January 1, 2018 are compared as follows:

	SOCPA		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and bank balances	Loans and receivables	145,389	Amortized cost	145,389
Due from related parties	Loans and receivables	13,001	Amortized cost	13,001
Other receivables	Loans and receivables	389	Amortized cost	389
Total financial assets		**158,779**		**158,779**
Financial liabilities				
Due to a related party	Amortized cost	188	Amortized cost	188
Accrued expenses and other current liabilities	Amortized cost	7,267	Amortized cost	7,267
Total financial liabilities		**7,455**		**7,455**

There were no changes to the classification and measurement of financial liabilities.

2.2.2 Reconciliation of statement of financial position balances from SOCPA to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 2.2.3 for more detailed information regarding the new classification requirements of IFRS 9.

The reconciliation between carrying amounts of financial assets as per previous measurement in accordance with SOCPA and new measurement categories upon transition to IFRS 9 as of January 1, 2018 is as presented below:

(All amounts in Saudi Riyals thousands unless otherwise stated)

	SOCPA carrying amounts December 31, 2017	Reclassification	Remeasurement	IFRS 9 carrying amounts January 1, 2018
Cash and bank balances	145,389	-	-	145,389
Due from a related party	13,001	-	-	13,001
Prepayments and other receivables	389	-	-	389
Total Financial assets	158,779	-	-	158,779

There was no re-measurement loss relating to expected credit loss (ECL) recognized in opening reserves at 1 January 2018.

2.2.3 Classification and measurement of financial assets

Policy applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through statement of income (FVSI)

Equity instruments

Equity instruments are those that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Currently, all the equity instruments have been classified as FVSI by the Company. The company did not hold any equity investments before January 1, 2018.

Debt instruments

Debt instruments if any held are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:
- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

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 asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the "SPPI" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, 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 FVSI.
Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 2.3.4. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through statement of income (FVSI): If debt instrument's cash flows do not represent solely SPPP or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI is recognized in the statement of income, within "Net gain / (loss) in investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through statement of income, within "Net gain / (loss) in investments designated at FVSI". Special commission income earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVSI, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of Income.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period. Currently, bank balances, due from related parties and other receivables are categorized as held at amortised cost.

2.2.4 Impairment of financial assets

Policy applicable from January 1, 2018

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risks ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should be consider forward-looking information.
(vi) Purchase or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company that are subjected to ECL review include deposits with banks, due from related parties and other assets.

A significant exposure of the Company is held as deposits with J.P. Morgan Chase Bank, N.A, Riyadh Branch which is a Branch of J.P. Morgan Chase Bank, N.A and a local bank licensed and listed in the Saudi stock exchange. Both the Banks have sound credit rating as at the reporting date and therefore the Company considers that it has a low credit risk. The rating of the Banks as at December 31, 2017 and 2018 were no less than A3 and A1 respectively as per Moody's and no decline is seen in the credit rating till the reporting date. The loss given default "LGD" is insignificant and therefore no expected loss is booked in the financial statements.

ECL on intercompany fees and other receivables is nil due to the factors mentioned in note 2.2.4.3.

2.2.4.1 Stages of impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses (ECL) where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of interest revenue.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily; reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The nature of the customers identified in this category is similar to the previous obligors that were classified as "defaulted" based on objective evidence of impairment under SOCPA/IAS 39 requirements. The Company considers "Default event" when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to actions such as realizing security (if held).

Financial assets are included in this stage when there is objective evidence of impairment at the reporting date. Financial assets are considered to be credit-impaired and included this stage when one or more of the following events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred:

a) Significant financial difficulty of the issuer or the borrower;
b) A breach of contract, such as a default or past due event;
c) The Company have granted a concession to the borrower for economic or contractual reasons relating to the borrower's financial difficulty;
d) It has become probable that the borrower will enter bankruptcy or other financial reorganization;
e) An active market for that financial asset no longer exists because of the borrower's financial difficulties; or
f) A financial asset is purchased or originated at a deep discount that reflects a credit loss has been incurred.

The criteria above are consistent with how the Company defines 'default' for internal credit risk management purposes.

2.2.4.2 Transfer criterions

Staging Considerations

Financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition are included in Stage 1. For these instruments, 12-month expected credit losses are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Financial instruments that have had a SICR since initial recognition but that do not have objective evidence of impairment are included in Stage 2. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

IFRS 9 requires that when determining whether the credit risk of a financial instrument has increased significantly, an entity shall consider the change in the risk of a default occurring since initial recognition. IFRS 9 points that credit risk increases significantly before a financial instrument becomes past due or other lagging borrower-specific factors (for example a modification or restructuring) are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available, it must be used to assess changes in credit risk.

The Company under Group policy has developed its staging criteria by using both quantitative and qualitative considerations to determine if a loan has experienced significant increase in credit risk.

Quantitative Considerations:

The Company compares an instrument's lifetime probability of default (PD) based on its default grade risk rating at initial recognition (Initial Recognition PD) to its PD at the reporting date (Reporting Date PD).

Qualitative Considerations:

In addition to the quantitative considerations noted above, the Company has also identified certain qualitative factors that are relevant in determining significant increase in credit risk.

2.2.4.3 Expected credit loss measurement

Incorporation of forward looking information

ECL estimates are derived from the Company's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Company using Group model develops three forecasted economic scenarios (base, upside and downside cases). Each of these scenarios contains a set of macroeconomic variables that reflect forward-looking economic and financial conditions. Macroeconomic variables include, but are not limited to foreign exchange rates, inflation and GDP per country or country block. Macroeconomic variables for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

On a quarterly basis, the three economic scenarios are updated and probability weighted. The Company uses judgment to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of the obligor based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical macroeconomic variables and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD.

The Company has determined that ECLs on cash held with banks are immaterial due to the existence of credit risk mitigants. In evaluating the lifetime ECL related to receivables from a bank, the Company determined the expected probability of default was extremely remote, and the magnitude of lifetime ECL related to exposures would be negligible as these are regulated and externally rated banking institutions that have significant capital, loss absorbing capacity and liquidity. The majority of the deposits held are short term in nature and can be withdrawn overnight.

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

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

For fee receivables arising from contracts with customers (e.g. advisory fee receivables), the Company applies a provision matrix as a practical expedient for calculating expected credit losses. As of 31 December 2018, the company did not have third party fee receivables.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

- Probability of Default ("PD"): The PD model estimates the probability of downgrade and default each quarter. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The model considers input variables that are region-, industry- and borrower segment-specific and considers both scenario- and borrower-specific information. PDs are determined at a facility-level based on risk ratings and other characteristics.

- Exposure at Default ("EAD"): The EAD model predicts gross exposure upon a borrower's default as a percentage of the total commitment at the reporting date under a given macroeconomic environment. The model estimates the probability of a change in the utilization, and direction and magnitude of the change. Input variables include exposure and utilization at the reporting date, facility purpose, industry and macro-economic variables ("MEVs").
- Loss Given Default ("LGD"): The LGD model estimates expected losses under given macroeconomic environments on the EAD given the event of default and, taking into account, among other attributes, the mitigating effect of collateral and the time value of money.

The 12-month ECL is calculated by multiplying the 12-month PD, EAD and LGD. Lifetime ECL is calculated using the lifetime PD instead.

Policy applicable before January 1, 2018

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the income statement. Impairment is determined as follows:

(i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the income statement;
(ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(iii) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

2.2.5 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statement of income.

Subsequently, all commission and non commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

2.2.6 Fair valuation of financial instruments

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.2.7 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

2.2.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). All other repair and maintenance costs are recognized in the statement of income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the entity and the cost of that item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	Number of years
Furniture, fixtures and office equipment	5-10
Computer equipment	3

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

2.4 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2.5 Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.6 Provisions

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

2.7 Income taxes

The Company is subject to income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Income tax is charges to the statement of income. Additional amount payable, if any, at the finalization of final assessment are accounted for when such amount are determined.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, if material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. The Company also collects VAT on transactions entered into by the Company.

2.8 Employees' end of service benefits (EOSB)

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in statement of income while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

The employees' end of service benefits provision is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labor Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

2.9 Revenue

The Company recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policies for the various revenue stream is as follow:

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Fees and commission arising from negotiating, or participating in the negotiation of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities businesses are recognized on completion of the underlying transaction. Investment banking activities' service fees are recognized based on the applicable client service contracts and agreements with other affiliated JPMorgan Chase & Co. entities.

Brokerage income is recognized when the related transactions are executed by the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the company is satisfied when the customer carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

2.10 Operating lease expense

Operating lease payments are recognized as expenses in the statement of income on a straight-line basis over the lease term. The Company does not have any finance lease arrangements.

2.11 Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately. Salaries and other employee related expenses are those which specifically relate to employee costs. All other expenses other than employees' costs, financial charges and allowance for impairment are classified as general and administrative expenses.

2.12 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution to the Company's Shareholder.

2.13 Assets held in trust or in a fiduciary capacity and Clients' cash accounts

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

2.14 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

2.15 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability could be settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

3 First time adoption of IFRS

As stated in Note 2.1, the accompanying financial statements have been prepared in compliance with IFRS and IFRS 1 and other standards and pronouncements as endorsed by SOCPA in the Kingdom of Saudi Arabia. The last financial statements under the previous GAAP were for the period ended from December 31, 2017 and the date of transition to IFRS is 1 January 2018. In preparing the Company's first IFRS financial statements, the Company's opening statement of financial position was prepared as at 23 May 2017. This note further explains the principal adjustments made by the Company, as a result of the transition to IFRS, in statements of financial position as at December 31, 2017 and May23, 2017 and the related statements of income and comprehensive income. The Company's operating and financing cash flows reported under SOCPA did not significantly differ from IFRS.

The effect of the company's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) Transition elections
(ii) Reconciliation of statement of financial position and comprehensive income as previously reported under SOCPA to IFRS; and
(iii) Adjustments to the statement of cash flows.

3.1 Transition elections

The company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

a. The Company has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a transition date of January 1, 2018, which did not result in material adjustments to the amounts previously recognized in the financial statements and therefore restatement was not necessary. Also, the information presented in comparative periods reflects the requirements of SOCPA and therefore is not comparable to the information presented under the requirements of IFRS 9 for the year ended 31 December 2018.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The following assessment have been made on the basis of the facts and circumstances that existed at the date of transition:

- Determination of the business model within which a financial asset is held;

Designation and revocation of previous designations of certain financial assets as measured at FVSI.

b. The Company has applied the transitional provision in IFRIC 4 Determining whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.

c. The Company has applied the transitional provisions in IAS 23 Borrowing Costs and capitalizes borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Company has not restated for borrowing costs capitalized under Local GAAP on qualifying assets prior to the date of transition to IFRS.

d. The Company has applied the transitional provisions relating to business combinations prospectively from May 23, 2017. As such, Local GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.

Impact of transition to IFRS:

a. Impact of IFRS transition on the statement of financial position as at May 23, 2017:

	Previous GAAP	Effect of transition to IFRS	Re-classifications	IFRS	Note
Assets					
Current assets					
Cash and cash equivalents	137,263	-	-	137,263	
Due from related parties	284	-	-	284	
Prepayments and other receivables	2,594			2,594	
	140,141	-	-	140,141	
Non-current assets					
Property and equipment	69	-	-	69	
Total assets	140,210	-	-	140,210	
Liabilities					
Current liabilities					
Accrued expenses and other current liabilities	5,302	-	-	5,302	
	5,302	-	-	5,302	
Non-current liability					
Employees' end-of-service benefit	1,237	1,576	-	2,813	3.2
Total liabilities	6,539	1,576	-	8,115	
Shareholders' equity					
Share capital	93,750	-	-	93,750	
Statutory reserve	6,045	-	-	6,045	
Retained earnings	33,876	(1,576)	-	32,300	
Total shareholders' equity	133,671	(1,576)	-	132,095	
Total liabilities and shareholders' equity	140,210	-	-	140,210	

(All amounts in Saudi Riyals thousands unless otherwise stated)

b. Impact of IFRS transition on the statement of financial position as at December 31, 2017:

	Previous GAAP	Effect of transition to IFRS	Re-classifications	IFRS	Note
Assets					
Current assets					
Cash and cash equivalents	145,389	-	-	145,389	
Due from related parties	13,001	-	-	13,001	
Prepayments and other receivables	389			389	
	158,779	-	-	158,779	
Non-current assets					
Property and equipment	53	-	-	53	
Total assets	158,832	-	-	158,832	
Liabilities					
Current liabilities					
Accrued expenses and other current liabilities	7,455	-	-	7,455	
	7,455	-	-	7,455	
Non-current liability					
Employees' end-of-service benefit	1,458	1,285	-	2,743	3.2
Total liabilities	8,913	1,285	-	10,198	
Shareholders' equity					
Share capital	93,750	-	-	93,750	
Statutory reserve	7,670	(41)	-	7,629	
Retained earnings	48,499	(1,244)	-	47,255	
Total shareholders' equity	149,919	(1,285)	-	148,634	
Total liabilities and shareholders' equity	158,832	-	-	158,832	

3.2. Notes to the reconciliation of statement of financial position as at December 31, 2017 and May 23, 2017:

On December 31, 2017 and May 23, 2017, the Company made an adjustment because of the conversion from previous GAAP to IFRS. The Company increased the provision for employee termination benefits based on the actuarial valuation by Saudi Riyals 1.2 million (23 May, 2017: Saudi Riyals 1.5 million).

c. Reconciliation of statement of changes in equity as appearing in the statement of financial position

	December 31, 2017	May 23, 2017
Total shareholder's equity under previous GAAP	149,919	133,671
Additional provision on employee termination benefits under IFRS	(1,989)	(1,576)
Remeasurements of post-employment benefit obligations to arrive at balance required at December 31, 2017	704	-
	148,634	132,095

(All amounts in Saudi Riyals thousands unless otherwise stated)

d. Impact of IFRS transition on the statement of income and other comprehensive income for the period from May 23, 2017 to December 31, 2017

	Notes	Amounts as per previous GAAP	Impact of transition to IFRS	Amounts as per IFRS
Service fee, income		32,504	-	32,504
Brokerage fee, net		1,274	-	1,274
Operating expenses				
Salaries and employee related benefits		(9,586)	(413)	(9,999)
General and administrative expenses		(4,869)	-	(4,869)
Rent and premises related expenses		(442)	-	(442)
Depreciation		(18)	-	(18)
		(14,915)	(413)	(15,328)
Operating profit		**18,863**	-	**18,450**
Other income				
Exchange gain		(13)	-	(13)
Net income before income tax		**18,850**	-	**18,437**
Income tax charge		(2,602)	-	(2,602)
Net income for the year		**16,248**	-	**15,835**

3.3 Notes to reconciliation of net income for the period from May 23, 2017 to December 31, 2017:

In accordance with the previous GAAP, the Company recognized liability related to its employee benefit obligations as current value of vested benefits to which the employee is entitled. However, as at the date of transition to IFRS, the Company has re-measured the defined benefit liability in accordance with the projected unit credit method, as required by IAS -19 "Employee benefits".

The above mentioned change has resulted in an increase in defined benefit obligation by SAR 1.57 million which has been adjusted in the opening retained earnings.

The above mentioned change has resulted in an increase in salaries and other employee related expenses by Saudi Riyals 0.4 million with a corresponding decrease in profit for the period ended 31 December 2017. Also, the above mentioned change resulted in other comprehensive gain on remeasurement of post-employment benefit obligations as at December 31, 2017 amounting to Saudi Riyals 0.7 million.

Reconciliation of total comprehensive income for the period from May 23, 2017 to December 31, 2017:

	Previous GAAP	Effect of transition to IFRS	IFRS
Net income for the year	-	15,835	15,835
Other comprehensive income:			
Remeasurements of post-employment benefit obligations	-	704	704
Total comprehensive income for the year	-	16,539	16,539

(All amounts in Saudi Riyals thousands unless otherwise stated)

Summary of impact of material adjustments to the statement of cash flows for the period ended December 31, 2017:

The Company's operating and financing cash flows reported under SOCPA did not significantly differ from IFRS.

	Previous GAAP	Effect of transition to IFRS	IFRS
Net cash used in operating activities	8,128	-	8,128
Net cash used in investing activities	(2)	-	(2)
Net cash generated from financing activities	-	-	-
Net change in cash and cash equivalents	8,126	-	8,126
Cash and cash equivalents at beginning of the year	137,263	-	137,263
Cash and cash equivalents at end of year	145,389	-	145,389

4 Cash and bank balances

The Company has an arrangement with a local bank to settle the brokerage transactions with Tadawul. The bank has given a guarantee to Tadawul to settle all the transactions entered into by the Company. On the request of bank, the Company submitted an order note and counter guarantee to the bank agreeing not to perform any transactions exceeding the available limit agreed with the bank. As at December 31, 2018, the Company has maintained sufficient cash balances with the bank.

5 Related party matters

In the ordinary course of its activities, the Company transacts business with related parties. Related parties include J.P. Morgan Chase Bank, N.A including foreign branches and affiliated entities the Board of Directors; and key management personnel. Key management personnel are those persons, including non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

5.1 Related party transactions

Significant transactions with related parties in the ordinary course of business are summarized below:

	2018	2017
Service fee income attributions from:		
J.P. Morgan Securities plc	**18,930**	18,198
J.P. Morgan International Finance limited	**7,500**	-
J.P. Morgan Chase Bank, N.A.- Dubai Branch	**6,449**	1,669
J.P. Morgan Limited	**5,156**	4,046
J.P. Morgan Chase Bank, N.A.- London Branch	**5,012**	3,610
J.P. Morgan Securities plc - Paris Branch	**2,336**	3,325
J.P. Morgan Ventures Energy Company	**1,589**	1,018
J.P. Morgan Whitefriars Inc. - London Branch	-	604
J.P. Morgan Securities llc	-	34
	46,972	32,504
Remuneration to key management personnel	**9,091**	6,140

(All amounts in Saudi Riyals thousands unless otherwise stated)

5.2 Related party balances

Significant balances arising from the above transactions with related parties are as follows:

Due from related parties:	2018	2017
J.P. Morgan Securities plc	6,405	10,489
J.P. Morgan Ventures Energy Company	780	970
J.P. Morgan Chase Bank, N.A. - London Branch	755	857
J.P. Morgan Chase Bank, N.A. - Dubai Branch	1,470	685
J.P. Morgan International Finance Limited	7,500	-
	16,910	13,001

Due to related parties:	2018	2017
J.P. Morgan Limited	-	188

6 Prepayments and other receivables

	2018	2017
Prepaid rentals	375	375
Advances to employees	-	14
Other receivables	56	-
	431	389

7 Property and equipment

	January 1, 2018	Additions	Disposals	December 31, 2018
Cost				
Furniture, fixtures and office equipment	448	-	-	448
Computer equipment	40	-	-	40
	488	-	-	488
Accumulated depreciation				
Furniture, fixtures and office equipment	395	19	-	414
Computer equipment	40	-	-	40
	435	19	-	454
	53			34

	May 23, 2017	Additions	Disposals	December 31, 2017
Cost				
Furniture, fixtures and office equipment	446	2	-	448
Computer equipment	40	-	-	40
	486	2	-	488
Accumulated depreciation				
Furniture, fixtures and office equipment	377	18	-	395
Computer equipment	40	-	-	40
	417	18	-	435
	69			53

8 Financial instruments held at FVSI

The Company purchases listed equity securities from the Saudi stock exchange, these investments are funded through the issuance of equity linked notes to related entity J.P. Morgan Securities plc. These equity investments have been classified as fair value through statement of income (FVSI), the valuation is done through quoted prices in active markets. The notes issued to fund these investments are also designated as financial liabilities at fair value through statement of income FVSI since their redemption value is correlated to the equity investments. The economic benefits of the underlying investments are then transferred through swap transaction involving the related entity and the ultimate beneficiary. Fair value gains/losses on equity investments are offset by corresponding fair value losses/gains on financial liabilities at fair value through statement of income FVSI.

(All amounts in Saudi Riyals thousands unless otherwise stated)

	2018	2017
Investments in listed equities	1,536,546	-

9 Accrued expenses and other current liabilities

	Note	2018	2017
Employees' benefits		3,431	2,633
Accrued professional fee		424	449
GOSI		120	129
GAZT Assessment	13.2	3,429	3,429
Other		782	435
		8,186	7,075

10 Employees' end of service benefits

	2018	2017
Balance at the beginning of the year/period	2,743	1,237
Impact of adapting IFRS	-	1,576
Restated balance	2,743	2,813
Provided during the year/period	893	583
Remeasurements of post-employment benefit obligations	(165)	(704)
Payments and transfers made during the year / period	(504)	51
Balance as at December 31	2,967	2,743

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

Amounts recognized in the statement of comprehensive income

The amounts recognized in the statement of comprehensive income related to employee benefit obligations are as follows:

	December 31, 2018	December 31, 2017
Current service cost	806	519
Interest expense	87	64
Total amount recognized in profit or loss	893	583
Remeasurements		
Gain from change in financial assumptions	(30)	56
Experience losses	(135)	(760)
Total amount recognized in other comprehensive income	(165)	(704)

Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	2018	2017
Valuation discount rate	3.70%	3.60%
Expected rate of increase in salary level across different age bands	5%	5%

Sensitivity analysis for actuarial assumptions

	Change in assumption		Value of employee benefit obligations (SAR'000)	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
As at December 31, 2018				
Discount rate	1%	1%	2,697	3,287
Salary growth rate	1%	1%	3,279	2,698
As at December 31, 2017				
Discount rate	1%	1%	2,482	3,051
Salary growth rate	1%	1%	3,043	2,483

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

11 Share capital

The share capital of the Company consists of 9,375,000 shares with a par value of Saudi Riyals 10 per share distributed as follows:

Shareholders	Country of origin	Percentage	2018	2017
J.P. Morgan International Finance Limited	USA	100%	93,750	93,750

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Other general and administrative expenses

	2018	2017
Professional services	2,765	1,464
Outsourcing services	2,381	1,010
Travel and entertainment	1,768	1,061
Technology and communication	637	659
Agent bank charges	787	61
Other	938	614
	9,276	4,869

13 Provision for income tax

The following are the significant components of income tax base of the Company for the year/period ended December 31:

	2018	2017
Net income before income tax	34,444	18,437
Adjustments:		
Depreciation differences	1	3
Employee termination benefits	389	583
Others	(605)	(6,015)
Net adjusted income for the year	34,229	13,008
Less: Adjusted loss brought forward, restricted to 25%	-	-
Tax base for the year	34,229	13,008
Income tax at 20%	6,846	2,602

13.1 Movement in Provision for income tax

Provision / (Refundable) for income tax

	2018	2017
Opening balance	192	-
Charged during the year/period		
- Current year/period	6,846	2,602
- Prior year/period	-	-
	6,846	2,602
Payments made during the year / period	(2,139)	(2,410)
	4,899	192

13.2 Status of final assessment

During 2015, the Company received tax assessments for the years 2008 to 2013 from the General Authority of Zakat and Tax (GAZT). These assessments raise additional taxes amounting to Saudi Riyals 3.4 million approximately due to the disallowance of certain items from the tax base of the Company.

The Company, in consultation with its professional tax advisors, has filed appeals for the above assessments with the GAZT, however the appeal is currently not scheduled for hearing.

Further assessments for the year 2014 to 2017 are yet to be raised by the GAZT. Therefore, currently, a reasonable estimation of the ultimate additional Income tax and withholding tax liabilities, if any, cannot be reliably determined.

The Company has filed its tax returns with GAZT for the years up to December 31, 2017; however, the final tax assessment has not yet been obtained as of the date of these financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Financial instrument 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 in the principal or in its absence, the most advantageous market to which the company has access at that date. The fair value of liability reflects its non-performance risk.

Management regularly reviews significant observable inputs and valuation adjustments. If third party information such as broker quotes or pricing services is used to measure fair values, then management assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices / Net Asset Value or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments (level 3).

		Fair values			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**
As at December 31, 2018					
Financial assets measured at fair value					
Financial assets at fair value through statement of income	**1,536,546**	**1,536,546**	-	-	**1,536,546**
Financial assets not measured at fair value					
Cash and cash equivalents	**175,074**	-	-	**175,074**	**175,074**
Account receivables and other assets	**17,341**	-	-	**17,341**	**17,341**
	1,728,961	**1,536,546**	-	**192,415**	**1,728,961**
Financial liabilities measured at fair value					
Long term debt measured at fair value through statement of income	**1,536,546**	**1,536,546**	-	-	**1,536,546**
Financial liabilities not measured at fair value					
Accrued and other current liabilities	**13,085**	-	-	**13,085**	**13,085**
	1,549,631	**1,536,546**	-	**13,085**	**1,549,631**

(All amounts in Saudi Riyals thousands unless otherwise stated)

		Fair values			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**
As at December 31, 2017					
Financial assets measured at fair value					
Financial assets at fair value through statement of income	-	-	-	-	-
Financial assets not measured at fair value					
Cash and cash equivalents	145,389	-	-	145,389	145,389
Account receivables and other assets	13,390	-	-	13,390	13,390
	158,779	-	-	158,779	158,779
Financial liabilities measured at fair value					
Long term debt measured at fair value through statement of income	-	-	-	-	-
Financial liabilities nor measured at fair value					
Accrued and other current liabilities	7,455	-	-	7,455	7,455
	7,455	-	-	7,455	7,455

The fair values of financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of commission bearing deposits, receivable against margin lending, cash and bank balances and accounts receivable and other assets which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

14.1 Fair valuation techniques

The following tables show the valuation techniques used in measuring Level 3 fair values.

Type	**Valuation techniques**
Financial assets at fair value through statement of income	Valuation is based on quoted prices on the local exchange
Inter-relationship between significant observable inputs and fair value measurement.	The estimated fair value would increase (decrease) if there is a change in the inputs used for valuation as discussed above.

14.2 Transfers between level 1 & 2

There have been no transfers between Level 1 and Level 2 during the reporting periods.

15 Financial Instruments and Risk management

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, fair value risk and operational risk. The Company ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the balance sheet include cash and bank balances, investments held at FVSI, due from related parties and other receivables, due to related parties, financial liabilities at FVSI, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Financial assets and financial liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

15.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

a) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is not significant since the Company's transactions are principally in Saudi Riyals and US dollars and therefore not exposed to significant foreign exchange risk.

b) Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows. The Company's commission rate risk is minimal due to the short term overnight nature of deposits held with banks. The Company's long term borrowings issued as equity linked notes are not referenced to interest rates.

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 years**	**Non commission bearing**	**Total**
December 31, 2018					
Current assets					
Cash and bank balances	-	-	-	175,074	175,074
Other assets	-	-	-	17,341	17,341
Investments held at FVSI	-	-	-	1,536,546	1,536,546
Total assets	-	-	-	1,728,961	1,728,961
Accrued expenses and other current liabilities	-	-	-	8,186	8,186
Financial liabilities at FVSI	-	-	-	1,536,546	1,536,546
Total liabilities and shareholders' equity	-	-	-	1,544,732	1,544,732
Cumulative commission rate sensitivity gap	-	-	-	-	-

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 years**	**Non commission bearing**	**Total**
December 31, 2017					
Current assets					
Cash and bank balances	-	-	-	145,389	145,389
Other assets	-	-	-	13,390	13,390
Investments held at FVSI	-	-	-	-	-
Total assets	-	-	-	158,779	158,779
Accrued expenses and other current liabilities	-	-	-	7,263	7,263
Financial liabilities at FVSI	-	-	-	-	-
Total liabilities and shareholders' equity	-	-	-	7,263	7,263
Cumulative commission rate sensitivity gap	-	-	-	-	-

c) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is not exposed to market risk with respect to its investments by default as the equity linked note issued by the company mirrors the economic performance of the investments and acts as a perfect offsetting hedge.

15.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For the Company, the financial assets which are potentially subject to credit risk consist principally of deposits with banks and other assets. Cash and deposits are placed with a foreign branch of Parent Bank and local listed bank with strong credit ratings. Other assets are mostly having low credit risk and the impact of ECL is not considered significant.

	2018	**2017**
Cash and cash equivalents (Note 4)	175,074	145,389
Other receivables (Note 5.2, 6)	17,341	13,390
	192,415	158,779

Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The Company has all the exposure based in the Kingdom of Saudi Arabia. The assessment of credit risk of a financial assets carried at amortized cost (receivables against margin lending, term deposits and other financial assets) entails further estimations as to the likelihood of defaults occurring, of the association loss ratios and of default correlations between customers. The Company measures credit risk using Expected Credit Loss (ECL) which is derived by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD

(All amounts in Saudi Riyals thousands unless otherwise stated)

Credit quality analysis

The following table sets out the credit analysis for financial assets as at December 31, 2018.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	175,074	-	-	175,074
Accounts receivable and other assets	16,910	-	431	17,341
Investments held at FVIS	1,536,546			1,536,546
Total	1,728,530	-	431	1,728,961

The following table sets out the credit analysis for financial assets as at December 31, 2017.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	145,389	-	-	145,389
Accounts receivable and other assets	13,001	-	389	13,390
Total	158,390	-	389	158,779

ECL - Significant increase in credit risk (SICR)

The Company follows a Group approach for in-scope entities for provision of IFRS 9 outputs. The ultimate parent entity considers implementing IFRS 9 as a significant project and therefore has set up a multidisciplinary implementation team with members from its Risk Management, Finance, IT, Operations and other respective businesses to achieve a successful and robust implementation. The Company has coordinated with the Group resources for providing the required inputs for purposes of IFRS 9 required outputs.

Inputs, assumptions and techniques used for estimating impairment

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grades

The Company allocates each exposure to a rating scale for individual risk assessment based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Further, a master scale is employed across all different rating scales used by the Company. Its main purpose is to make risk assessment comparable across various segments or products.

A master scale is a scale of credit risk grades, typically denominated by a combination of numbers, letters or both, which represent the relative credit risk assigned to each class or grade. It typically composed of a quantitative and a qualitative component that are indicative of risk of default.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the periodic review of customers' files, status of the industry, press articles, economic condition, changes in external credit ratings, and other internal and external information.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Parent Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include - GDP, inflation, unemployment, oil prices, equity index, etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice received at group level after consideration of a variety of external actual and forecast information, the Head Office formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Parent Bank then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition based on its credit risk grade downgrade provided below:

The Company compares the Initial Recognition PD (transitional arrangement or post-implementation) to the Reporting Date PD, and if the difference exceeds pre-defined thresholds, the instrument is included in Stage 2. At initial implementation, the PD thresholds were determined based on collective feedback from senior credit risk officers and are based on the PDs associated with risk rating downgrades as follows:

- Default grade 1 to 4+ at initial recognition: 3 notch downgrade (minimum) unless the rating after downgrade remains 3- or better
- Default grade 4 to 5- at initial recognition: 2 notch downgrade
- Default grade 6+ to 8 at initial recognition: 1 notch downgrade

These thresholds are be reviewed annually and adjusted as necessary after implementation. Significant increase may be determined based on expert credit judgment considering qualitative and quantitative information where indicative of such and the effect may not otherwise fully reflected in its quantitative analysis on a timely basis.

Low credit risk corporate portfolios is placed in Stage 1 without ongoing staging assessment. Once an instrument is no longer classified as LCR, a significant increase in credit risk assessment shall be done.

The Parent Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Definition of Default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Incorporation of forward looking information

ECL estimates are derived from the Company's historical experience and future forecasted economic conditions. To incorporate forward-looking information into the ECL calculation, the Company develops three forecasted economic scenarios (base, upside and downside cases). Each of these scenarios contains a set of macroeconomic variables that reflect forward-looking economic and financial conditions. Macroeconomic variables include, but are not limited to foreign exchange rates, inflation and GDP per country or country block. Macroeconomic variables for each scenario are projected over a reasonable and supportable forecast period of two years. After the forecast period, the losses revert to historical averages over a one-year transition period.

On a quarterly basis, the three economic scenarios are updated and probability weighted. The Company uses judgement to develop the scenarios and assign probability weightings. The most likely economic scenario in management's view is the base case which would generally be expected to be weighted more heavily than the other two scenarios.

The PD, LGD and EAD models are designed to forecast the credit quality and performance of the obligor based on industry, geography, rating and size of obligors, among other attributes of the portfolio. PD, LGD and EAD models are calibrated based on historical macroeconomic variables and use forecasted macroeconomic scenarios for projecting PD, LGD and EAD.

The Company has determined that ECLs on cash held with banks are immaterial due to the existence of credit risk mitigants. In evaluating the lifetime ECL related to receivables from a bank, the Company determined the expected probability of default was extremely remote, and the magnitude of lifetime ECL related to exposures would be negligible as these are regulated and externally rated banking institutions that have significant capital, loss absorbing capacity and liquidity. The majority of the deposits held is short term in nature and can be withdrawn overnight.

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

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

For fee receivables arising from contracts with customers (e.g. advisory fee receivables), the Company applies a provision matrix as a practical expedient for calculating expected credit losses. As of 31 December 2018, the company did not have third party fee receivables.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

- Probability of Default ("PD"): The PD model estimates the probability of downgrade and default each quarter. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively. The model considers input variables that are region-, industry- and borrower segment-specific and considers both scenario- and borrower-specific information. PDs are determined at a facility-level based on risk ratings and other characteristics.
- Exposure at Default ("EAD"): The EAD model predicts gross exposure upon a borrower's default as a percentage of the total commitment at the reporting date under a given macroeconomic environment. The model estimates the probability of a change in the utilization, and direction and magnitude of the change. Input variables include exposure and utilization at the reporting date, facility purpose, industry and macro-economic variables ("MEVs").
- Loss Given Default ("LGD"): The LGD model estimates expected losses under given macroeconomic environments on the EAD given the event of default and, taking into account, among other attributes, the mitigating effect of collateral and the time value of money.

The 12-month ECL is calculated by multiplying the 12-month PD, EAD and LGD. Lifetime ECL is calculated using the lifetime PD instead.

15.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

a) Day-to-day funding, managed by Finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested;
b) Monitoring balance sheet liquidity ratios against internal and regulatory requirements
c) Managing the concentration and profile of debt maturities
d) Liquidity management and asset and liability mismatching

The following analyses the Company's financial liabilities based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances. Borrowings are perfectly correlated to equity investments and hence the impact of discounting is not significant.

	Due within 1 year	Due after 1 year
2018		
Accrued expenses and other liabilities	13,085	2,967
Liabilities at FVSI	-	1,536,546
Total	13,085	1,539,513
2017		
Accrued expenses and other liabilities	7,455	2,743
Liabilities at FVSI	-	-
Total	7,455	2,743

(All amounts in Saudi Riyals thousands unless otherwise stated)

15.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Management maintains a strong governance and control framework to mitigate such risk.

16 Regulatory capital requirements and capital adequacy ratio

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital adequacy ratio as at December 31:

	2018	2017
Capital Base:		
Tier 1 Capital	**176,397**	148,634
Minimum Capital Requirement:		
Market Risk	**1,810**	1,036
Credit Risk	**12,200**	9,717
Operational Risk	**9,310**	7,098
Total Minimum Capital Required	**23,320**	17,851
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**7.56**	8.32
Surplus in Capital	**153,077**	130,783

a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2018 to be submitted to CMA and December 31, 2017 as submitted to CMA.

b) The capital base consists of Tier 1 capital as per Article 4 of the Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.

c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website (http://www.jpmorgansaudiarabia.com), however these are not subject to review or audit by the external auditors of the Company.

17 Fiduciary assets

Clients' money accounts

As at December 31, 2018, the Company is holding clients' money accounts, with the bank, amounting to Saudi Riyals 401,280,967.20 (2017: Saudi Riyals 1,148.60), to be used for investments upon client discretion. Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

18 Capital commitments and contingencies

As at December 31, 2018, the Company has operating lease for its office premises for which rent is paid in advance. Rental expenses for the year ended December 31, 2018 amounted to Saudi Riyals 0.64 million (2017: Saudi Riyals 0.68 million).

The Company has not been given, in the normal course of business, and has not committed any guarantees during the year and has no outstanding guarantees from prior periods. As at December 31, 2018, the Company has issued order note to cover the the settlement limit facility offered by the agent bank.

19 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

This reserve is currently not available for distribution to the shareholders of the Company.

20 Subsequent events

There have been no significant subsequent events after the date of statement of financial position.

21 Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 25, 2019.