J.P. MORGAN SAUDI ARABIA COMPANY
(FORMERLY KNOWN AS J.P. MORGAN SAUDI ARABIA LIMITED)
(A Single Shareholder Closed Joint Stock Company)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

J.P. MORGAN SAUDI ARABIA COMPANY
(A Single Shareholder Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2019

	Page
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of income	4
Statement of other comprehensive income	5
Statement of changes in shareholder's equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 33

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of J.P. Morgan Saudi Arabia Company (formerly known as J.P. Morgan Saudi Arabia Limited) (the "Company") as at December 31, 2019, 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, 2019;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year the ended; and
- 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 management and those charged with governance for the financial statements

The management is 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 By-Laws, 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 management is 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 management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

Independent auditor's report to the shareholder of J.P. Morgan Saudi Arabia Company (A Single Shareholder Closed Joint Stock 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 those charged with governance 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

Ali H. Al Basri
License Number 409

March 29, 2020

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, 2019	2018
Assets			
Current assets			
Cash and bank balances	4	**250,399**	175,074
Accounts receivables	5.2	**7,749**	16,910
Prepayments and other receivables	6	**494**	431
Investments held at fair value through statement of income (“FVSI”)	7	**145,261**	1,536,546
		403,903	1,728,961
Non-current assets			
Property and equipment, net	8	**2,170**	34
Deferred tax asset		**715**	-
		2,885	34
Total assets		**406,788**	1,728,995
Liabilities and shareholder’s equity			
Liabilities			
Current liabilities			
Accrued expenses and other current liabilities	9	**11,852**	8,186
Accounts payable		**1,334**	-
Lease liability	3	**1,866**	-
Provision for income tax	13.2	**10,076**	4,899
		25,128	13,085
Non-current liability			
Employee end of service benefits (“EOSB”)	10	**3,818**	2,967
Liabilities held at FVSI	7	**143,896**	1,536,546
		147,714	1,539,513
Total liabilities		**172,842**	1,552,598
Shareholder’s equity			
Share capital	11	**93,750**	93,750
Statutory reserve	19	**16,151**	10,389
Re-measurement reserve for EOSB		**801**	869
Retained earnings		**123,244**	71,389
Total shareholder’s equity		**233,946**	176,397
Total liabilities and shareholder’s equity		**406,788**	1,728,995
Capital commitments and contingencies	18		

The accompanying notes from 1 to 22 form an integral part of these financial statements.

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

	Note	For the year ended December 31, 2019	2018
Service fee income		**67,545**	64,272
Brokerage fee, net		**32,289**	597
Income from deposits		**10,995**	-
Operating income		**110,829**	64,869
Operating expenses			
Salaries and employee related benefits		**(22,403)**	(20,316)
Other general and administrative expenses	12	**(15,111)**	(9,276)
Rent and premises related expenses		**(227)**	(784)
Depreciation	8	**(991)**	(19)
Total operating expenses		**(38,732)**	(30,395)
Total operating income		**72,097**	34,474
Other income / (expense)			
Exchange gain / (loss)		**47**	(30)
		47	(30)
Income before income tax charge		**72,144**	34,444
Income tax charge	13.4	**(14,527)**	(6,846)
Net income for the year		**57,617**	27,598

The accompanying notes from 1 to 22 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
For the year ended
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2019	2018
Net income for the year		**57,617**	27,598
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of income			
- Remeasurement gain on EOSB	10	**133**	165
- Deferred tax on remeasurements of EOSB		**(201)**	-
Other comprehensive (loss) / income for the year		**(68)**	165
Total comprehensive income for the year		**57,549**	27,763

The accompanying notes from 1 to 22 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	Re-measurement reserve for EOSB	Retained earnings	Total
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
January 1, 2019	**93,750**	**10,389**	**869**	**71,389**	**176,397**
Impact of adoption of IFRS 16 as at January 1, 2019 (Note 3)	-	-	-	-	-
Restated balance as at January 1, 2019	**93,750**	**10,389**	**869**	**71,389**	**176,397**
Net income for the year	-	-	-	57,617	**57,617**
Other comprehensive loss for the year	-	-	(68)	-	**(68)**
Total comprehensive (loss) / income for the year	**-**	**-**	**(68)**	**57,617**	**57,549**
Transfer to statutory reserve	-	5,762	-	(5,762)	**-**
December 31, 2019	**93,750**	**16,151**	**801**	**123,244**	**233,946**

The accompanying notes from 1 to 22 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, 2019	2018
Cash flow from operating activities			
Net income before income tax for the year		**72,144**	34,444
Adjustments for non-cash charges and other items			
Depreciation	8	**991**	19
Provision for EOSB	10	**1,084**	893
Interest expense on lease liabilities		**63**	-
Changes in working capital:			
Accounts receivable		**9,161**	(3,909)
Prepayments and other receivables excluding prepaid rent		**(375)**	(42)
Accrued expenses and other current liabilities		**3,666**	1,111
Accounts payable		**1,334**	(188)
EOSB paid	10	**(100)**	(504)
Lease liability		**(1,012)**	-
Income tax paid during the year	13.2	**(10,266)**	(2,139)
Net cash generated from operating activities		**76,690**	29,685
Cash flow from investing activities			
Payments for purchase of investments held at FVSI		**(1,387,244)**	(2,749,435)
Proceeds from sale of investments held at FVSI		**1,711,280**	1,230,176
Net cash generated from / (utilized in) investing activities		**324,036**	(1,519,259)
Cash flow from financing activity			
Liabilities held at FVSI		**(325,401)**	1,519,259
Cash (utilized in) / generated from financing activity		**(325,401)**	1,519,259
Net change in cash and cash equivalents		**75,325**	29,685
Cash and cash equivalents at the beginning of the year		**175,074**	145,389
Cash and cash equivalents at the end of the year		**250,399**	175,074
Supplemental non-cash information:			
Re-measurement reserve for employees' EOSB		**(133)**	(165)
Deferred tax on remeasurements of employees' EOSB		**(201)**	-
Transfer of investments held at FVSI		**1,067,249**	-
Transfer of liabilities held at FVSI		**(1,067,249)**	-
ROU assets additions		**1,179**	-
Lease liability		**1,866**	-

The accompanying notes from 1 to 22 form an integral part of these financial statements.

1 General information

J.P. Morgan Saudi Arabia Company (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 number 1010240801 issued in Riyadh on Dhul Qadah 17, 1428H (corresponding to November 26, 2007), Saudi Arabian General Investment Authority ("SAGIA") license number 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 conversion. Due to the change of the Company's status the name was changed from J.P. Morgan Saudi Arabia Limited to J.P. Morgan Saudi Arabia Company. The Company's financial statements are prepared from January 1 to December 31 of each Gregorian year.

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 International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

(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 Projected Unit Credit Method.
- 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 ended December 31, 2019 and 2018, 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. 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.

2.2 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.

2.3 Financial Instruments

2.3.1 Classification and measurement of financial assets

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.

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.

The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

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 2.3.2. 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 SPPI 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, where cashflows do not represents solely SPPI, is recognized in the statement of income, within “Net gain / (loss) on 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 held for trading are presented separately from debt investments that are mandatorily measured at FVSI, within “Net gain / (loss) on investments designated at FVSI or held for trading”. 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.

2.3.2 Impairment of financial assets

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, 2018 and 2019 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 ECL is insignificant and therefore no ECL is booked in the financial statements.

ECL on intercompany fees and other receivables is nil due to the factors mentioned in note 2.3.2.3.

2.3.2.1 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 Company considers a customer as “Defaulted” 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.

2.3.2.2 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.

2.3.2.3 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 and have strong credit rating. 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 December 31, 2019, 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.

2.3.3 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.

Currently, swap transactions with J.P. Morgan Securities plc are categorized as financial liabilities held at FVSI.

2.3.4 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.

2.3.5 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.

2.3.6 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.

2.4 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.

2.5 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.

2.6 Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid for goods or services received, whether or not billed to the Company. These are carried at amortised cost.

2.7 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.

2.8 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.

Value added tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the receivable, including VAT.

2.9 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.

2.10 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.

Advisory and investment banking services revenue
Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e. monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Underwriting fees
Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee
Custody fee is recognized over the contractual servicing period.

2.11 Accounting for leases

The Company has adopted IFRS 16 'Leases' ("IFRS 16") on its effective date January 1, 2019. The effect of adoption of new accounting policy is disclosed in note 3 of these financial statements and the accounting policies affected by the new standard are as follows:

Company as a lessee: Policy applicable from January 1, 2019

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-Use Asset

The Company measures the right-of-use asset at cost, comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term leases and leases of low-value assets:

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term."

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 New standards or amendments not yet effective and not early adopted by the Company

Certain new accounting standards and amendments to accounting standards and interpretations have been published that are effective for annual periods beginning on or after January 1, 2020 but have not been early adopted by the Company. These standards are not expected to have a material impact on the financial statement of the Company.

3 Adoption of new standard IFRS 16 'Leases'

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of SR 1.948 million and SR 1.6 million respectively as of January 1, 2019, with no material impact on retained earnings. When measuring lease liabilities, the Company discounted lease payments using incremental borrowing rate.

The Company has elected to use assumptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application and lease contracts for which the underlying assets are of low value.

The Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after January 1, 2019.

Information about leases for which the Company is a lessee is presented below:

Reconciliation of lease liabilities

Off-balance sheet lease obligations as of December 31, 2018	**1,719**
Current leases with a lease term of 12 months or less & low-value leases	**-**
Discounting to present value	**83**
Operating lease obligations as of January 1, 2019 (net, discounted)	**1,636**

The statement of financial position includes the following amounts relating to leases:

	December 31, 2019	**January 1, 2019**
Property and equipment		
Right-of-use assets	**2,149**	**1,948**
Lease liability	**1,866**	**1,636**

Additions to right of use assets during the year ended 2019 were SAR 1.179 million.

The statement of income includes the following amounts related to leases:

	December 31, 2019	**January 1, 2019**
Depreciation charge of Right-of-use assets	**978**	**-**
Interest expense (included in Other general and administrative expenses)	**63**	**-**

The total cash outflow for leases in 2019 was SAR 1.012 million.

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, 2019, 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 its 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:

	2019	**2018**
Service fee income attributions from:		
J.P. Morgan Securities PLC	**50,485**	18,930
J.P. Morgan Chase Bank, N.A.- London Branch	**12,478**	5,012
J.P. Morgan Ventures Energy Company	**1,184**	1,589
J.P. Morgan Chase Bank, N.A.- Dubai Branch	**1,087**	6,449
J.P. Morgan Securities plc - Paris Branch	**681**	2,336
J.P. Morgan International Finance limited	**592**	7,500
J.P. Morgan Chase Bank Luxembourg S.A.	**487**	-
J.P. Morgan Chase Bank, N.A.	**312**	-
J.P. Morgan Securities LLC	**132**	-
J.P. Morgan Limited	**-**	5,156
	67,438	46,972
Income from deposits		
J.P. Morgan Chase Bank, N.A.- Riyadh Branch	**10,995**	-
Remuneration to key management personnel	**8,427**	9,091

5.2 Related party balances

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

Due from related parties:	**2019**	**2018**
J.P. Morgan Securities PLC	**6,480**	6,405
J.P. Morgan Chase Bank, N.A. - London Branch	**400**	755
J.P. Morgan Ventures Energy Company	**339**	780
J.P. Morgan Chase Bank, N.A.	**313**	-
J.P. Morgan Chase Bank, N.A. - Dubai Branch	**191**	1,470
J.P. Morgan Securities LLC	**26**	-
J.P. Morgan International Finance Limited	**-**	7,500
	7,749	16,910

6 Prepayments and other receivables

	2019	**2018**
Other receivables	**431**	56
Prepaid expenses	**63**	63
Prepaid rent	**-**	312
	494	431

7 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. Any differences between investments held at FVSI and liabilities held at FVSI is attributed to proprietary positions arising due to settlement of client transactions.

	2019	**2018**
Investments in listed equities	**145,261**	1,536,546

8 Property and equipment

	Right-of-Use Asset	**Furniture, fixtures and office equipment**	**Computer equipment**	**Total**
Cost				
January 1, 2019	**-**	**448**	**40**	**488**
Adjustments on transition to IFRS 16	**1,948**	**-**	**-**	**1948**
Additions	**1,179**	**-**	**-**	**1,179**
Disposals	**-**	**-**	**-**	**-**
December 31, 2019	**3,127**	**448**	**40**	**3,615**
Accumulated depreciation				
January 1, 2019	**-**	**414**	**40**	**454**
Charge for the year	**978**	**13**	**-**	**991**
Disposals	**-**	**-**	**-**	**-**
December 31, 2019	**978**	**427**	**40**	**1,445**
Net book value as of December 31, 2019	**2,149**	**21**	**-**	**2,170**

	Right-of-Use Asset	**Furniture, fixtures and office equipment**	**Computer equipment**	**Total**
Cost				
January 1, 2018	-	448	40	488
Additions	-	-	-	-
Disposals	-	-	-	-
December 31, 2018	-	448	40	488
Accumulated depreciation				
January 1, 2018	-	395	40	435
Charge for the year	-	19	-	19
Disposals	-	-	-	-
December 31, 2018	-	414	40	454
Net book value as of December 31, 2018	-	34	-	34

9 Accrued expenses and other current liabilities

	Note	2019	2018
Income tax payable - GAZT Assessment	13.5	**6,825**	3,429
Employees' benefits		**4,029**	3,431
Accrued professional fee		**464**	424
GOSI		**145**	120
VAT payable		**239**	232
Other		**150**	550
		11,852	8,186

10 Employee end of service benefits

	2019	2018
Balance at the beginning of the year	**2,967**	2,743
Provided during the year	**1,084**	893
Remeasurements gain	**(133)**	(165)
Payments and transfers made during the year	**(100)**	(504)
Balance as at December 31	**3,818**	2,967

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 Law 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, 2019	December 31, 2018
Current service cost	**976**	806
Interest expense	**108**	87
Total amount recognized in profit or loss	**1,084**	893
Remeasurements		
Gain from change in financial assumptions	**109**	(30)
Experience losses	**(242)**	(135)
Total amount recognized in other comprehensive income	**(133)**	(165)

Principal actuarial assumptions

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

	2019	2018
Valuation discount rate	**3.40%**	3.70%
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, 2019				
Discount rate	**1%**	**1%**	**3,473**	**4,221**

Salary growth rate	**1%**	**1%**	**4,210**	**3,475**
As at December 31, 2018				
Discount rate	1%	1%	2,697	3,287
Salary growth rate	1%	1%	3,279	2,698

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**	**2019**	**2018**
J.P. Morgan International Finance Limited	USA	100%	**93,750**	93,750

12 Other general and administrative expenses

	Note	**2019**	**2018**
Agent bank charges		**3,589**	787
Income Tax - GAZT Assessment	13.5	**3,396**	-
Outsourcing services		**2,447**	2,381
Professional services		**2,295**	2,765
Travel and entertainment		**1,847**	1,768
Other		**924**	938
Technology and communication		**613**	637
		15,111	9,276

13 Provision for income tax

13.1 Calculation of taxable income and income tax charge

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

	2019	**2018**
Net income before income tax	**72,144**	34,444
Adjustments:		
Depreciation differences	**(3)**	1
Employee termination benefits	**984**	389
Others	**3,424**	(605)
Net adjusted income for the year	**76,549**	34,229
Less: Adjusted loss brought forward, restricted to 25%	**-**	-
Tax base for the year	**76,549**	34,229
Income tax charge at 20%	**15,310**	6,846

13.2 Movement in Provision for income tax

Provision for income tax

	2019	2018
Opening balance	**4,899**	192
Charged during the year		
- Current year	**15,310**	6,846
- Prior year	**133**	-
	15,443	6,846
Payments made during the year	**(10,266)**	(2,139)
	10,076	4,899

13.3 Deferred tax asset

Deferred tax asset as at December 31, 2019 relates to the following:

	2019	2018
Employee benefits obligations	**764**	-
Lease liability	**373**	-
Exchange (gain)	**(9)**	-
Property and equipment and right of use asset	**(413)**	-
Deferred tax asset, net	**715**	-

Based on the assessment performed by the management, impact of deferred taxation was immaterial in prior years.

13.4 Income tax charge and deferred tax (reversal) for the year

Income tax and deferred tax charge / (reversal) of the year is as follows:

	2018	2018
Income tax charge	**15,443**	6,846
Deferred tax reversal	**(916)**	-
Total tax charge, net	**14,527**	6,846

The deferred tax liability on remeasurements of post-employment benefit obligations amounting to SAR 0.2 million is added back to deferred tax reversal in statement of income and charged to other comprehensive income.

13.5 Status of final assessment

During 2015, the Company received tax assessments for the years 2008 to 2013 from the 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. During the year the Company booked additional provision of Saudi Riyals 3.4 million (Note 12).

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

Further assessments for the year 2014 to 2018 are yet to be raised by 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, 2018; however, the final tax assessment has not yet been obtained as of the date of these financial statements.

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.

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).

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 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.

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. In Kingdom of Saudi Arabia, US dollar and SR is pegged.

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 long term borrowings issued as equity linked notes are not referenced to interest rates.

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.

	2019	**2018**
Cash and cash equivalents (Note 4)	**250,399**	175,074
Other receivables excluding prepaid (Note 5.2, 6)	**8,180**	16,966
	258,579	192,040

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 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

Credit quality analysis

The following table sets out the credit analysis for financial assets as at December 31, 2019.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	**250,399**	**-**	**-**	**250,399**
Accounts receivable and other assets	**7,749**	**-**	**431**	**8,180**
Total	**258,148**	**-**	**431**	**258,579**

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	-	56	16,966
Total	191,984	-	56	192,040

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 2019, 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.

Loss allowance on financial assets

	December 31, 2019			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Carrying amount	**258,579**	**-**	**-**	**258,579**
ECL	**-**	**-**	**-**	**-**
	258,579	**-**	**-**	**258,579**

	December 31, 2018			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Carrying amount	192,040	-	-	192,040
ECL	-	-	-	-
	192,040	-	-	192,040

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; and
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
2019		
Accrued expenses and other liabilities excluding VAT payable	**11,613**	**-**
Accounts payable	**1,334**	**-**
Liabilities at FVSI	**-**	**143,896**
Total	**12,947**	**143,896**
2018		
Accrued expenses and other liabilities excluding VAT payable	7,954	-
Liabilities at FVSI	-	1,536,546
Total	7,954	1,539,546

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 CMA (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital adequacy ratio as at December 31:

	2019	2018
Capital Base:		
Tier 1 Capital	**233,231**	176,397
Minimum Capital Requirement:		
Market Risk	**2,204**	1,810
Credit Risk	**11,385**	12,200
Operational Risk	**13,315**	9,310
Total Minimum Capital Required	**26,904**	23,320
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**8.67**	7.56
Surplus in Capital	**206,327**	153,077

a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2019 to be submitted to CMA and December 31, 2018 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, 2019, the Company is holding clients' money accounts, with the bank, amounting to Saudi Riyals 827.38 million (2018: Saudi Riyals 401.3 million), 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

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 years. As at December 31, 2019, the Company has issued order note to cover 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

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company's financial statements and activities.

21 Comparative Figures

Certain prior year figures have been reclassified to conform with current year presentation.

22 Approval of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 24, 2020.