

**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
**(A Single Shareholder Closed Joint Stock Company)**

FINANCIAL STATEMENTS  
FOR THE PERIOD FROM MAY 23, 2017 TO DECEMBER 31, 2017  
AND INDEPENDENT AUDITOR'S REPORT

**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
(A Single Shareholder Closed Joint Stock Company)  
**Financial statements**  
For the period from May 23, 2017 to December 31, 2017

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

**Report on the audit of the financial statements**

**Our opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of J.P. Morgan Saudi Arabia Company (formerly known as J.P. Morgan Saudi Arabia Limited) (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the period from May 23, 2017 to December 31, 2017 in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

**What we have audited**

The Company's financial statements comprise:

- the balance sheet as at December 31, 2017;
- the income statement for the period from May 23, 2017 to December 31, 2017;
- the cash flow statement for the period from May 23, 2017 to December 31, 2017;
- the statement of changes in shareholder's equity for the period from May 23, 2017 to December 31, 2017; 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.

**Emphasis of matter**

We draw attention to Note 1 to the accompanying financial statements which explains that the Company was converted from a limited liability company to a single shareholder closed joint stock company on 27 Shaban 1438H (corresponding to May 23, 2017). Accordingly, these financial statements have been prepared for the period from May 23, 2017 to December 31, 2017 which present the operations conducted by the Company for its first fiscal period as a single shareholder closed joint stock company. Our opinion is not modified in respect of this matter.

**Responsibilities of Directors and those charged with governance for the financial statements**

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the applicable requirements of the Regulations for Companies and the Company's by-laws, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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**Independent auditor's report to the shareholder of J.P. Morgan Saudi Arabia Company (A Saudi 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, as 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, as 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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 27, 2018

**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
**(A Single Shareholder Closed Joint Stock Company)**  
**Balance sheet**  
**As at December 31,**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Note | 2017           |
|---|------|----------------|
| <b>Assets</b>                                     |      |                |
| <b>Current assets</b>                             |      |                |
| Cash and cash equivalents                         | 4    | 145,389        |
| Due from related parties                          | 5.2  | 13,001         |
| Prepayments and other receivables                 | 6    | 389            |
|   |      | <u>158,779</u> |
| <b>Non-current assets</b>                         |      |                |
| Property and equipment, net                       | 7    | 53             |
|   |      | <u>53</u>      |
| <b>Total assets</b>                               |      | <u>158,832</u> |
| <b>Liabilities and shareholder's equity</b>       |      |                |
| <b>Liabilities</b>                                |      |                |
| <b>Current liabilities</b>                        |      |                |
| Accrued expenses and other liabilities            | 8    | 7,075          |
| Due to related parties                            | 5.2  | 188            |
| Provision for income tax                          | 12   | 192            |
|   |      | <u>7,455</u>   |
| <b>Non-current liability</b>                      |      |                |
| Employee termination benefits                     | 9    | 1,458          |
|   |      | <u>1,458</u>   |
| <b>Total liabilities</b>                          |      | <u>8,913</u>   |
| <b>Shareholder's equity</b>                       |      |                |
| Share capital                                     | 10   | 93,750         |
| Statutory reserve                                 |      | 7,670          |
| Retained earnings                                 |      | 48,499         |
| <b>Total shareholder's equity</b>                 |      | <u>149,919</u> |
| <b>Total liabilities and shareholder's equity</b> |      | <u>158,832</u> |

The notes on pages 7 to 14 form an integral part of these financial statements.

**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
**(A Single Shareholder Closed Joint Stock Company)**  
**Income statement**  
**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | <b>Note</b> | <b>2017</b>          |
|---|-------------|----------------------|
| Service fee income                        | 5.1         | 32,504               |
| Brokerage fee, net                        |             | 1,274                |
|   |             | <u>33,778</u>        |
| <b>Operating expenses</b>                 |             |                      |
| Salaries and employee related benefits    |             | (9,586)              |
| Other general and administrative expenses | 11          | (4,869)              |
| Rent and premises related expenses        |             | (442)                |
| Depreciation                              | 7           | (18)                 |
|   |             | <u>(14,915)</u>      |
| Income from operations                    |             | <u>18,863</u>        |
| <b>Other income</b>                       |             |                      |
| Exchange loss                             |             | (13)                 |
|   |             | <u>(13)</u>          |
| <b>Net income before income tax</b>       |             | <b>18,850</b>        |
| <b>Income tax</b>                         | 12          | <u>(2,602)</u>       |
| <b>Net income for the period</b>          |             | <u><b>16,248</b></u> |

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**J.P. MORGAN SAUDI ARABIA COMPANY**  
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**Cash flow statement**  
**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|   | Note | 2017                  |
|---|------|-----------------------|
| <b>Cash flow from operating activities</b>            |      |                       |
| Net income before income tax                          |      | 18,850                |
| <u>Adjustments for non-cash items</u>                 |      |                       |
| Depreciation  | 7    | 18                    |
| Provision for employee termination benefits           | 9    | 309                   |
| <u>Changes in working capital:</u>                    |      |                       |
| Due from related parties                              |      | (12,717)              |
| Prepayments and other receivables                     |      | (205)                 |
| Accrued expenses and other liabilities                |      | 1,773                 |
| Due to related parties                                |      | 188                   |
| Employee termination benefits paid during the period  | 9    | (88)                  |
| Net cash generated from operating activities          |      | <u>8,128</u>          |
| <b>Cash flow from investing activity</b>              |      |                       |
| Purchase of property and equipment, net               | 7    | <u>(2)</u>            |
| <b>Net change in cash and cash equivalents</b>        |      | <b>8,126</b>          |
| Cash and cash equivalents at beginning of the period  |      | <u>137,263</u>        |
| <b>Cash and cash equivalents at end of the period</b> |      | <b><u>145,389</u></b> |

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**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
**(A Single Shareholder Closed Joint Stock Company)**  
**Statement of changes in shareholder's equity**  
**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

|  | Note | Share capital | Statutory reserve | Retained earnings | Total          |
|--|------|---------------|-------------------|-------------------|----------------|
| <b>Balance as at May 23, 2017</b>      |      | 93,750        | 6,045             | 33,876            | 133,671        |
| Net income for the period              |      | -             | -                 | 16,248            | 16,248         |
| Transfer to statutory reserve          |      | -             | 1,625             | (1,625)           | -              |
| <b>Balance as at December 31, 2017</b> |      | <b>93,750</b> | <b>7,670</b>      | <b>48,499</b>     | <b>149,919</b> |

The notes on pages 7 to 14 form an integral part of these financial statements.



**J.P. MORGAN SAUDI ARABIA COMPANY**  
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**Notes to the financial statements**  
**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**1 General information**

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

The Company was converted from a limited liability company to a single shareholder closed joint stock company on Shaban 27, 1438H (corresponding to May 23, 2017) which is the date of the new commercial registration. As per the new By-laws of the Company, the Company's first fiscal period under legal status of a single shareholder closed joint stock company will be from the date of commercial registration as a single shareholder closed joint stock company i.e. May 23, 2017 and shall end on December 31, 2017, accordingly, no comparative figures were presented. The Company's financial statements for the subsequent years will be prepared from January 1 to December 31 of each Gregorian year.

The accompanying financial statements were approved by the management on March 26, 2018.

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 26 Dhul-Hijaa 1433H (corresponding to November 11, 2012) to amend the business activities to conduct dealing as principle 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 2016, 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 principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**2.1 Basis of preparation**

The accompanying financial statements have been prepared under the historical cost convention and the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

**2.2 Critical accounting estimates and judgments**

The preparation of these financial statements is in conformity with generally accepted accounting principles. This requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the reporting date, and the revenues and expenses during the reporting period. Estimates 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. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition vary from the related actual results.

**J.P. MORGAN SAUDI ARABIA COMPANY**  
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**2.3 Foreign currency translations**

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Such exchange adjustments were not significant for the period from May 23, 2017 to December 31, 2017.

**2.4 Cash and cash equivalents**

Cash and cash equivalents are comprised of cash at bank and highly liquid investments that are readily convertible into cash with original maturities of three months or less from the date of original acquisition.

**2.5 Property and equipment, net**

Property and equipment are carried at cost less accumulated depreciation. Depreciation is charged to income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

|  | <b>Number of years</b> |
|--|------------------------|
| Furniture, fixtures and office equipment | 5-10                   |
| Computer equipment                       | 3                      |

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

**2.6 Accrued expenses and other liabilities**

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

**2.7 Provisions**

Provisions, if any, are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

**2.8 Income taxes**

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to income taxes attributable to its foreign shareholder. Provision for income taxes is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessment are accounted for when such amounts are determined.

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

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## **2.9 Employee termination benefits**

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Kingdom of Saudi Arabia.

## **2.10 Income recognition**

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. Income from advisory services provided locally by the Company are recorded net-off attributions (payments) to other affiliated JPMorgan Chase & Co. entities.

Brokerage fees are recognized on accrual basis at the time of execution of orders and are stated net of Tadawul fees and discounts, if any.

Brokerage fees arising on execution of orders are recognized on the trade date (i.e. the date on which the Company becomes a party to the contractual provision of the order).

## **2.11 Operating leases**

Rental expenses under operating leases are charged to income statement on a straight-line basis over the period of the related leases.

## **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.

## **2.13 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve until such reserve equal to thirty percent of its share capital. Such reserve is not available for dividend distribution.

# **3 Financial instruments and risk management**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commission rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the balance sheet include cash and cash equivalents, due to / from related parties and 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 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.

## **3.1 Currency 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 Arabian Riyals and US dollars and therefore not exposed to significant foreign exchange risk.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

### **3.2 Commission rate risk**

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company's commission rate risks arise mainly from its term deposit and short term borrowing, which are at floating rate of commission and are subject to re-pricing on a regular basis. Management monitors the changes in commission rates and believes that the commission rate risk to the Company is not significant.

### **3.3 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. The Company has no significant concentration of credit risk. Cash is placed with banks having sound credit rating.

### **3.4 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.

### **3.5 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.

## **4 Cash and cash equivalents**

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, 2017, the Company has maintained sufficient cash balances with the bank.

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**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**5 Related party matters**

**5.1 Related party transactions**

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

|   | For the period<br>from May 23,<br>2017 to<br>December 31,<br>2017 |
|---|---|
| <b><u>Service fee income attributions from:</u></b> |   |
| J.P. Morgan Securities plc                          | 18,198  |
| J.P. Morgan Limited                                 | 4,046   |
| J.P. Morgan Chase Bank, N.A.- London Branch         | 3,610   |
| J.P. Morgan Securities plc - Paris Branch           | 3,325   |
| J.P. Morgan Chase Bank, N.A.- Dubai Branch          | 1,669   |
| J.P. Morgan Ventures Energy Company                 | 1,018   |
| J.P. Morgan Whitefriars Inc. - London Branch        | 604   |
| J.P. Morgan Securities llc                          | 34  |
| J.P. Morgan Chase Bank, N.A.                        | -   |
|   | <hr/>   |
|   | <b>32,504</b>   |
|   | <hr/>   |
| Remuneration to key management personnel            | <b>2,353</b>  |
|   | <hr/>   |

The Company has service agreements with its affiliated entities to provide marketing, client management and advisory services, in return the Company is entitled for compensation in accordance with the terms of the agreement and as agreed among the parties.

Additionally, the Company also has global master services level agreement with its affiliated entities for provision of shared services, and compensate the affiliated entities in accordance with the terms of the agreement.

**5.2 Related party balances**

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

|  | As at<br>December 31,<br>2017 |
|--|-------------------------------|
| <b>Due from related parties:</b>             |                               |
| J.P. Morgan Securities plc                   | 10,489                        |
| J.P. Morgan Ventures Energy Company          | 970                           |
| J.P. Morgan Chase Bank, N.A. - London Branch | 857                           |
| J.P. Morgan Chase Bank, N.A. - Dubai Branch  | 685                           |
|  | <hr/>                         |
|  | <b>13,001</b>                 |
|  | <hr/>                         |
| <b>Due to related parties:</b>               |                               |
| J.P. Morgan Securities Limited               | 188                           |
|  | <hr/>                         |
|  | <b>188</b>                    |
|  | <hr/>                         |

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**6 Prepayments and other receivables**

|                       | <b>As at December<br/>31, 2017</b> |
|-----------------------|------------------------------------|
| Prepaid rentals       | 375                                |
| Advances to employees | 14                                 |
|                       | <u>389</u>                         |

**7 Property and equipment**

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

**8 Accrued expenses and other current liabilities**

|                          | <b>As at December<br/>31, 2017</b> |
|--------------------------|------------------------------------|
| Employees' benefits      | 2,633                              |
| Accrued professional fee | 449                                |
| GOSI                     | 129                                |
| Others                   | 3,864                              |
|                          | <u>7,075</u>                       |

**9 Employee termination benefits**

|                                 | <b>2017</b>  |
|---------------------------------|--------------|
| Balance as at May 23            | 1,237        |
| Provided during the period      | 309          |
| Payments made during the period | (88)         |
|                                 | <u>1,458</u> |

**10 Share capital**

The share capital of the Company as of December 31, 2017 consists of 9,375,000 shares with a par value of Saudi Riyals 10 per share distributed as follows:

| <b>Shareholders</b>                       | <b>Country of<br/>origin</b> | <b>Percentage</b> | <b>2017</b>   |
|---|------------------------------|-------------------|---------------|
| J.P. Morgan International Finance Limited | USA                          | 100%              | 93,750        |
|   |                              | <u>100%</u>       | <u>93,750</u> |

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(All amounts in Saudi Riyals thousands unless otherwise stated)

**11 Other general and administrative expenses**

**For the period  
from May 23,  
2017 to  
December 31,  
2017**

|                              |              |
|------------------------------|--------------|
| Professional services        | 1,464        |
| Travel and entertainment     | 1,061        |
| Outsourcing services         | 1,010        |
| Technology and communication | 659          |
| Other                        | 675          |
|                              | <b>4,869</b> |

**12 Income Tax**

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

**For the period  
from May 23,  
2017 to  
December 31,  
2017**

|  |               |
|--|---------------|
| Net income before income tax                           | 18,850        |
| Adjustments:   |               |
| Depreciation differences                               | 3             |
| Employee termination benefits                          | 221           |
| Others   | (6,066)       |
| Net adjusted income for the period                     | 13,008        |
| Less: Adjusted loss brought forward, restricted to 25% | -             |
| Tax base   | <b>13,008</b> |
| <b>Income tax at 20%</b>                               | <b>2,602</b>  |

During 2016, the Company received tax assessments for the years 2008 to 2013 from GAZT.

Further assessments for the year 2014 and 2015 are yet to be raised by the GAZT. Therefore, currently, a reasonable estimation of the ultimate additional Income tax and withholding tax liabilities, if any, cannot be reliably determined.

The Company has filed its tax returns with GAZT for the years up to December 31, 2016; however, the final tax assessment has not yet been obtained as of the date of these financial statements.

**Provision for income tax**

**2017**

|   |            |
|---|------------|
| Opening balance                             | (2,410)    |
| Charged during the period                   | 2,602      |
| Payments made during the period             | -          |
| <b>Total estimated income tax liability</b> | <b>192</b> |

**J.P. MORGAN SAUDI ARABIA COMPANY**  
(Formerly known as J.P. Morgan Saudi Arabia Limited)  
**(A Single Shareholder Closed Joint Stock Company)**  
**Notes to the financial statements**  
**For the period from May 23, 2017 to December 31, 2017**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**13 Regulatory capital requirements and capital adequacy ratio**

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

|                                     | <b>2017</b>          |
|-------------------------------------|----------------------|
| <b>Capital Base:</b>                |                      |
| Tier 1 Capital                      | <b>149,919</b>       |
| <b>Minimum Capital Requirement:</b> |                      |
| Market Risk                         | <b>1,036</b>         |
| Credit Risk                         | <b>9,717</b>         |
| Operational Risk                    | <b>7,098</b>         |
| Total Minimum Capital Required      | <u><b>17,851</b></u> |
| <b>Capital Adequacy Ratio:</b>      |                      |
| Total Capital Ratio (time)          | <b>8.40</b>          |
| Surplus in Capital                  | <b>132,068</b>       |

- a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2017 to be 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.jpmorgansaudi Arabia.com>), however these are not subject to review or audit by the external auditors of the Company.

**14 Fiduciary assets**

***Clients' money accounts***

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

**15 Commitments**

As at December 31, 2017, the Company has operating lease for its office premises for which rent is paid in advance. Rental expenses for the period from May 23, 2017 to December 31, 2017 amounted to Saudi Riyals 0.39 million.