EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

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Deloitte and Touche & Co.
Chartered Accountants
Head office - Riyadh
License #323/11/96
Date 10/3/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the shareholders
Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Emirates NBD Capital KSA (A Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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").

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 are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended December 31, 2018 were audited by another auditor, who expressed an unqualified opinion on those financial statements on April 4, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 Regulations for Companies and the Company's bylaws 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's report to the shareholders of Emirates NBD Capital KSA (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 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 endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 disclosure 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 represents 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.

Deloitte and Touche & Co.
Chartered Accountants
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Waleed bin Moh'd Sobahi
(License No. 378)
May 20, 2020
Ramadan 27, 1441H

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	December 31, 2019 SR	December 31, 2018 SR
ASSETS			
Non-current assets			
Property and equipment	5	**172,602**	512,308
Intangible assets	6	**61,203**	36,938
Total non-current assets		**233,805**	549,246
Current assets			
Right-of-use assets	3	**151,211**	-
Due from a related party	7	**486,981**	-
Trade and other receivables	8	**6,085,079**	4,080,122
Term deposit	9	**-**	42,000,000
Cash and cash equivalents	10	**77,894,448**	31,038,257
Total current assets		**84,617,719**	77,118,379
TOTAL ASSETS		**84,851,524**	77,667,625
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**100,000,000**	100,000,000
Accumulated losses		**(28,909,150)**	(33,550,032)
Total equity		**71,090,850**	66,449,968
LIABILITIES			
Non-current liabilities			
Employees defined benefit obligations	12	**1,097,856**	860,475
Total non-current liabilities		**1,097,856**	860,475
Current liabilities			
Zakat payable	13	**8,164,136**	7,893,700
Due to related parties	7	**1,356,140**	878,628
Trade and other payables	14	**3,142,542**	1,584,854
Total current liabilities		**12,662,818**	10,357,182
TOTAL LIABILITIES		**13,760,674**	11,217,657
TOTAL EQUITY AND LIABILITIES		**84,851,524**	77,667,625

The accompanying notes form an integral part of these financial statements

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	**December 31, 2019 SR**	December 31, 2018 SR
Revenues	15	**18,932,505**	7,517,788
General and administrative expenses	16	**(13,868,904)**	(12,648,232)
INCOME / (LOSS) FROM MAIN OPERATIONS		**5,063,601**	(5,130,444)
Other expenses, net	17	**(219,827)**	(103,138)
Special commission income	18	**1,939,201**	1,444,316
Profit / (Loss) before zakat		**6,782,975**	(3,789,266)
Zakat expense	13	**(2,139,621)**	(4,600,349)
Profit / (Loss) for the year		**4,643,354**	(8,389,615)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement (losses) / gains of employee defined benefit obligations	12	**(2,472)**	41,263
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**4,640,882**	(8,348,352)

The accompanying notes form an integral part of these financial statements

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Share capital SR	Proposed increase in share capital SR	Accumulated losses SR	Total SR
Balance at December 31, 2017		115,000,000	30,000,000	(70,201,680)	74,798,320
Loss for the year		-	-	(8,389,615)	(8,389,615)
Other comprehensive income for the year		-	-	41,263	41,263
Total comprehensive loss for the year		-	-	(8,348,352)	(8,348,352)
Increase in capital	11	30,000,000	(30,000,000)	-	-
Transfer to accumulated losses	11	(45,000,000)	-	45,000,000	-
Balance at December 31, 2018		100,000,000	-	(33,550,032)	66,449,968
Profit for the year		-	-	**4,643,354**	**4,643,354**
Other comprehensive loss for the year		-	-	**(2,472)**	**(2,472)**
Total comprehensive income for the year		-	-	**4,640,882**	**4,640,882**
Balance at December 31, 2019		**100,000,000**	-	**(28,909,150)**	**71,090,850**

The accompanying notes form an integral part of these financial statements

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	**December 31, 2019 SR**	December 31, 2018 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before zakat		**6,782,975**	(3,789,266)
Adjustments for:			
Depreciation and amortization		**385,810**	113,991
Employee defined benefit obligations		**234,909**	185,008
Amortization of right-of-use assets		**362,906**	-
Interest cost		**2,683**	-
Operating cash flows before movements in working capital		**7,769,283**	(3,490,267)
Movements in working capital:			
Trade and other receivables		**(2,156,957)**	511,893
Due from related parties		**(486,981)**	1,036,418
Trade and other payables		**1,557,688**	(576,622)
Due to related parties		**477,512**	338,348
Net cash generated from / (used in) operations		**7,160,545**	(2,180,230)
Zakat paid		**(1,869,185)**	(1,200,000)
Employees defined benefit obligations paid		**-**	(1,040,577)
Net cash generated from / (used in) operating activities		**5,291,360**	(4,420,807)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of term deposits		**42,000,000**	
Purchase of property and equipment		**(7,694)**	(542,135)
Purchase of intangible assets		**(62,675)**	-
Net cash generated from / (used in) investing activities		**41,929,631**	(542,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liability		**(364,800)**	-
Net cash used in financing activities		**(364,800)**	-
Net change in cash and cash equivalents		**46,856,191**	(4,962,942)
Cash and cash equivalents at the beginning of the year		**31,038,257**	36,001,199
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**77,894,448**	31,038,257
Non-cash transactions:			
Re-measurement losses / (gains) of employee defined benefit obligations		**2,472**	(41,263)
Adjustments on adoption of IFRS 16		**152,000**	-
Absorption of losses	11	**-**	45,000,000
Increase in share capital	11	**-**	30,000,000

The accompanying notes form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Emirates NBD Capital KSA (the "Company") is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010248476 dated 13 Rabi Thani 1429H (corresponding to April 19, 2008).

The Company is owned 95% by Emirates NBD Bank (the "Bank"), registered in the United Arab Emirates and 5% by Emirates Financial Services, a subsidiary of Emirates NBD Bank.

On January 12, 2018, the Company's legal form was converted from a limited liability company to a closed joint stock company. The share capital and shareholders of the Company have remained unaltered after the conversion, except for the total number of shares which has been changed from 145,000 share of SR 1,000 each to 14,500,000 share of SR 10 each. The Company has obtained the approval from the Ministry of Commerce and Investment for this conversion.

The principal activities of the Company are trading as principal, agent and underwriting, managing, arranging, advising and custodial services in accordance with license number 07086-37 dated 8 Shaba'an 1428H (corresponding to 21 August 2007) from the Capital Market Authority ("CMA").

The registered address of the Company is as follows:

Emirates NBD Capital KSA
P.O. Box 34177
King Fahad Road
Riyadh 11333, Kingdom of Saudi Arabia

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with the requirements of 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"), collectively hereafter referred to as "IFRS".

Historical cost convention
The financial statements have been prepared on the historical cost basis except for employee defined benefit obligations which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical cost convention (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Foreign currency translation

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

(b) Transactions and balances
Foreign currency transactions are translated into Saudi 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 statement of profit or loss and other comprehensive income.

Financial instruments
Financial assets and financial liabilities are recognized when Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
The Company recognizes financial assets on trade date basis at which the Company becomes a part to the contracted provisions of the investment.

All recognized financial assets are subsequently measured in their entirety at amortized cost using the effective interest rate ("EIR") method (if the impact of discounting or any transaction costs is significant). Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classification of financial assets
Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial asset that meets the criteria to be classified as subsequently measured at 'fair value through profit or loss' or at 'fair value through other comprehensive income' nor it has elected to irrevocably designate its financial assets to be subsequently measured at 'fair value through profit or loss' or at 'fair value through other comprehensive income'.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the EIR method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalent and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on the financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a long outstanding debt and a similar past experience exists; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner and when there is a past similar experience of default for such transaction. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities
Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortized cost.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, bank current accounts and term deposits held with banks, all of which are available for use by the Company unless otherwise stated and have original maturities of three months or less from acquisition date, which are subject to an insignificant risk of changes in value.

Term deposits
Term deposits are time deposits with original maturities for over three months. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Profit Rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method to allocate the costs of the related assets over the estimated useful lives as shown in note 5.

The Company applies the following useful lives to its property and equipment:

Furniture and fixtures	4 years
Office equipment and computers	4 years

Leasehold improvements are depreciated over the shorter of their useful lives or the lease term.

An item of property and equipment and any significant part is derecognised 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 profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognised on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The Company assesses at the audit of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units ‘CGU’). Recoverable amount is the higher for which of an asset’s fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Company applies an annual rate of amortization over 4 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Zakat

The Company is subject to the Regulations of the General Authority of Zakat and Income Tax (“GAZT”) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accrued expenses
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Employee benefits
Employees defined benefit obligations
Employees defined benefit obligations are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

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. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Policy applicable prior to January 1, 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor
Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

The Company as lessee
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Policy applicable after January 1, 2019
The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Policy applicable after January 1, 2019 *(Continued)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Policy applicable after January 1, 2019 *(Continued)*

The Company as lessor
Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

Revenue recognition
The Company uses the five-step model of revenue recognition as described in IFRS 15 as endorsed in KSA "Revenue from Contracts with Customers". In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Identification of performance obligations:
At the inception of each contract entered into with a customer, the Company identifies the services promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations.

Services promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

Allocation of the transaction price:
The Company determines the transaction price in accordance with the requirements of IFRS 15 as endorsed in KSA and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimable).

Recognition of revenue allocated to each performance obligation:

The Company recognizes the revenue from each performance obligation over time based on the measure of progress towards complete satisfaction of the performance obligation. This is based on the Company's assessment that the customer simultaneously receives, and consumes the benefit embodied in, the services.

The Company's approach to assessment of measure of progress towards complete satisfaction of each performance obligation varies depending upon the nature of the promised services.

The Company is in the business of providing arranging, dealing, asset management and custody services. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services. Specific details for each type of revenue are set out below:

a) Arranging services
Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is usually acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)
When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

b) Dealing
The Company carries out activity under its license as principal as well as an agent. Dealing service is extended to customers for trading in Tadawul in KSA as well as UAE markets.

The Company's performance obligations represent the execution of the trades requested by the customers. Transaction price for each performance obligation is pre-agreed. Revenue is recognised at a point in time when the deals are executed by the Company.

c) Custody services
Securities custody activity is the regular source of income for the Company. The Company is providing service relating to equity custody as well as real estate custody. Customers appoint the Company to be the custodian of assets pledged as collateral or being the custodian of the real-estate properties for real estate funds.

Agreements by the Company are entered into either on a fixed fee or based on a percentage of asset values. The fees are defined in the agreement and there is no variable consideration identified in the agreements. The Company's obligations are defined to be being the custodian of the assets. The services are performed over time and revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

d) Asset management services
Asset management services involve managing securities belonging to other parties in circumstances involving the exercise of discretion. Asset management fees is charged to the funds under the management of the Company and other discretionary portfolios. The Company's performance obligation as per these agreements is to manage the assets under these funds and trading in the market for value maximization.

The Company's performance obligation is satisfied over time as asset management services is a continuous supply of services to the customer. Revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary assets
Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of profit or loss and other comprehensive income.

Assets under management:
The Company offers asset management services to funds. The assets of such funds are not treated as assets of the Company and accordingly are not included in the financial statements.

Clients' cash accounts and assets:
Clients' cash accounts and assets are not treated as assets of the Company and accordingly are not included in the financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New and amended standards adopted by the Company
IFRS 16 'Leases' was effective starting January 1, 2019 where the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions that takes the Legal Form of a Lease contract".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's statement of financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees.

For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life of the leased assets.

The Company has applied IFRS 16, using the modified retrospective method, with the result that the comparative amounts are not restated and that the lease liability as at January 1, 2019 (the date of transition) is calculated as the present value of the outstanding rentals due under the remaining term of the lease, discounted using the Company's incremental borrowing rate as at the date of the transition. The equal and opposite side of the lease liability calculated like this, is the right-of-use ("RoU") asset. Therefore, there is no adjustment against opening retained earnings as at the transition date.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

New and amended standards adopted by the Company (Continued)
IFRS 16 transition disclosures also require the Company to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

	Saudi riyals
Off-balance sheet lease obligations as of December 31, 2018	**364,800**
Less: short term leases recognized on a straight line basis as an expense	-
Less: low value leases recognized on a straight line basis as an expense	-
Add: amounts for reasonably certain extension options	-
Net lease liability recognized as at January 1, 2019	**364,800**
Discounted lease liability due to initial application of IFRS 16 as of January 1, 2019	**362,117**
Less: payments made during the year ended December 31, 2019	(364,800)
Add: finance cost on lease for the year ended December 31, 2019	2,683
Lease liability as of December 31, 2019	**-**

Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Movement for right-of-use assets as follows:

Right-of-use assets due to initial application of IFRS 16 as of January 1, 2019	**514,117**
Less: amortization of right-of-use during the year ended December 31, 2019	(362,906)
Right-of-use assets as of December 31, 2019	**151,211**

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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- 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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Company uses incremental borrowing rate as a discount factor to compute the present value of lease liability.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

New and amended standards adopted by the Company (Continued)

Right-of-use assets are measured 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.

The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Revised IFRS's
Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9: *Prepayment Features with Negative Compensation*.
- Amendments to IAS 28: "Investment in Associates and Joint Ventures": *Relating to long-term interests in associates and joint ventures*.
- Annual Improvements to IFRSs 2015-2017 Cycle: *Amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".*
- Amendments to IAS 19: "*Employee Benefits Plan Amendment, Curtailment or Settlement".*
- IFRIC 23: *"Uncertainty over Income Tax Treatments"*

The above standards, amendments or interpretations did not have a material impact on the financial statements of the Company.

New and revised standards and interpretations not yet effective

Effective for annual periods beginning after January 1, 2020

- Amendments regarding the definition of material.
- Amendments to clarify the definition of a business.
- IFRS 17: *"Insurance Contracts"*
- Amendments to IFRS 10 *"Consolidated Financial Statements"* and IAS 28 *"Investments in Associates and Joint Ventures (2011)"* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
- Amendments to IFRSs 2, 3, 6, 14 and IASs 1, 8, 34, 37, 38 and IFRICs 12, 19, 20, 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
- Amendments to IFRS 7 "*Financial Instruments: Disclosures and IFRS 9 — Financial Instruments*" regarding pre-replacement issues in the context of the IBOR reform.

The Company does not expect that the above standards, amendments or interpretations will have a material effect on its financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical accounting judgments in applying accounting policies
The following are the critical judgments, apart from those involving estimations (refer to note 4.2 below), that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.2 Key sources of estimation uncertainty
The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Useful lives of property and equipment and intangible assets
The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Assumptions used to determine the actuarial value of the employees defined benefit obligations
The Company makes various estimates in determining the actuarial value of the employees defined benefit obligations. These estimates are disclosed in note 12.

5. PROPERTY AND EQUIPMENT

	Leasehold improvements SR	Furniture and fixtures SR	Office equipment and computers SR	Capital work in progress SR	**Total SR**
Cost					
January 1, 2019	5,150,842	1,555,368	2,401,539	425,556	9,533,305
Additions	**-**	**-**	**7,694**	**-**	**7,694**
Transfers	**425,556**	-	-	**(425,556)**	-
December 31, 2019	**5,576,398**	**1,555,368**	**2,409,233**	**-**	**9,540,999**
Accumulated depreciation					
January 1, 2019	5,150,842	1,555,368	2,314,787	-	9,020,997
Charge for the year	**300,394**	**-**	**47,006**	**-**	**347,400**
December 31, 2019	**5,451,236**	**1,555,368**	**2,361,793**	**-**	**9,368,397**
Net book value					
December 31, 2019	**125,162**	**-**	**47,440**	**-**	**172,602**
December 31, 2018	-	-	86,752	425,556	512,308

	Leasehold improvements SR	Furniture and fixtures SR	Office equipment and computers SR	Capital work in progress SR	**Total SR**
Cost					
January 1, 2018	5,150,842	1,555,368	2,284,960	-	8,991,170
Additions	-	-	116,579	425,556	542,135
December 31, 2018	5,150,842	1,555,368	2,401,539	425,556	9,533,305
Accumulated depreciation					
January 1, 2018	5,150,842	1,555,368	2,231,875	-	8,938,085
Charge for the year	-	-	82,912	-	82,912
December 31, 2018	5,150,842	1,555,368	2,314,787	-	9,020,997
Net book value					
December 31, 2018	-	-	86,752	425,556	512,308
December 31, 2017	-	-	53,085	-	53,085

6. INTANGIBLE ASSETS

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 4 years.

	December 31, 2019 SR	December 31, 2018 SR
Cost		
Balance at the beginning of the year	**510,018**	510,018
Additions	**62,675**	-
At end of the year	**572,693**	510,018
Accumulated amortisation		
Balance at the beginning of the year	**473,080**	442,001
Charge for the year	**38,410**	31,079
At end of the year	**511,490**	473,080
Net book value		
At end of the year	**61,203**	36,938

7. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Emirates NDB Bank, a bank registered in – United Arab Emirates, which is also the Company's immediate parent entity.

Name of related parties with which the Company transacts usually	**Relationship**
Emirates NBD (the "Bank")	Shareholder
Emirates Financial Services - Dubai	Shareholder
Emirates NBD Bank – KSA Branch (the "Branch")	Affiliate
Emirates NBD Capital – Dubai	Affiliate
Emirates NBD Bank – Private Banking Dubai	Affiliate
Emirates NBD Asset Management Limited	Affiliate
ENBD Securities	Affiliate

Following are the significant transactions with related parties during the year:

Related party	**Nature of transactions**	**2019 SR**	2018 SR
Emirates NBD Bank – KSA	Special commission income (Note 18)	1,939,201	1,444,316
Branch (the "Branch")	Custody fees (Note 7a (ii))	4,805,187	3,741,659
	Arranging fees	-	22,705
	Other costs	-	534,572
Emirates NBD Bank – Private Banking Dubai	Recharge of expenses	(258,798)	(127,629)
Board members	Independent Board members' fee	185,000	191,613
Key management	Key management compensations	6,536,445	5,022,116

7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The Company's related parties include its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

a) Significant transactions with the Bank / the Branch:

i) Banking services

The Bank through its Riyadh branch (the "Branch") acts as the banker of the Company. An amount of SR 78 million (December 31, 2018: SR 73 million) is held in current and deposit accounts with the Branch at the balance sheet date (Notes 9 and 10).

ii) Custody fees

As per the agreement with the Private Banking Group of the Branch and Emirates NBD Dubai, the Company charges custody fees on shares held on Branch's behalf. The income for 2019 amounted to SR 4.8 million (2018: SR 3.74 million).

b) Amounts due from and to related parties

Amounts due from a related party is as follows:

	December 31, 2019 SR	December 31, 2018 SR
Emirates NBD Bank – KSA Branch	**486,981**	-
	486,981	-

Amounts due to related parties are as follows:

	December 31, 2019 SR	December 31, 2018 SR
Emirates NBD – PJSC (the "Bank")	**1,149,677**	878,628
Emirates NBD Capital – Dubai	**206,463**	-
	1,356,140	878,628

8. TRADE AND OTHER RECEIVABLES

	December 31, 2019 SR	December 31, 2018 SR
Margin deposits (note 13)	**3,221,856**	3,221,856
Trade receivables, net*	**2,583,226**	349,644
Prepaid expenses	**220,144**	391,605
Special commission receivable	**50,398**	117,017
Advance to employees	**9,455**	-
	6,085,079	4,080,122

* Trade receivables, as at December 31, 2019 is stated net of an impairment provision amounting to SR 112,500 (December 31, 2018: SR 112,500).

9. TERM DEPOSIT

	December 31, 2019 SR	December 31, 2018 SR
Long term deposit	**-**	42,000,000
	-	42,000,000

Long term deposit represents amount placed with Emirates NBD Bank – KSA Branch (the “Branch”) and has an original maturity of more than three months. The deposit matured on December 18, 2019 and carried an annual special commission at the rate of 3.35%.

10. CASH AND CASH EQUIVALENTS

	December 31, 2019 SR	December 31, 2018 SR
Cash in hand	**17**	17
Bank balances	**52,894,431**	6,038,240
Short term deposit	**25,000,000**	25,000,000
	77,894,448	31,038,257

Short term deposit represents amount placed with Emirates NBD Bank – KSA Branch (the “Branch”) and has an original maturity of less than three months. It carries an annual special commission at the rate of 2.50%.

The Company has an arrangement with Emirates NBD Bank – KSA Branch (The “Branch”) to settle brokerage transactions with Tadawul. The branch has given a guarantee to Tadawul to settle all the transactions entered into by the Company. On the request of the branch, the Company submitted an order note and counter guarantee agreeing not to perform any transactions exceeding the available limit agreed with the branch. As at December 31, 2019, the Company has maintained sufficient cash balances with the branch.

11. SHARE CAPITAL

The share capital of the Company, amounting to SR 100,000,000, is divided into 10,000,000 shares of SR 10 each (2018: 10,000,000 shares of SR 10 each).

	December 31, 2019		December 31, 2018	
Name	**Number of shares**	**%**	Number of shares	%
Emirates NBD Bank	**9,500,000**	**95%**	9,500,000	95%
Emirates Financial Services - Dubai	**500,000**	**5%**	500,000	5%
	10,000,000	**100%**	10,000,000	100%

	December 31, 2019 SR	December 31, 2018 SR
At the beginning of the year	**100,000,000**	115,000,000
Increase in capital (a)	**-**	30,000,000
Decrease in capital (b)	**-**	(45,000,000)
At the end of the year	**100,000,000**	100,000,000

11. SHARE CAPITAL (Continued)

a) During 2018, the Company completed the legal formalities related to proposed increase in capital approved in 2017 and issued 30,000 shares of SR 1,000 each which were fully subscribed by its shareholders thus increasing the capital of the Company from SR 115 million to SR 145 million.

b) On 26 Dhul Qadah 1439H (corresponding to August 8, 2018), the Company's shareholders voted and agreed to decrease the capital of the Company from SR 145,000,000 to SR 100,000,000 and to transfer SR 45,000,000 to the accumulated losses of the Company to absorb its losses.

12. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

	December 31, 2019 SR	December 31, 2018 SR
Balance at the beginning of the year	**860,475**	1,757,307
Current service cost	**205,699**	151,397
Interest cost	**29,210**	33,611
Paid during the year	**-**	(1,040,577)
Actuarial loss / (gain)	**2,472**	(41,263)
Balance at the end of the year	**1,097,856**	860,475

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	**3.80%**	3.50%
Rate of salary increases	**2%**	2.5%

All movements in the employees defined benefit liabilities are recognized in profit or loss except for the actuarial (gain) loss which is recognized in other comprehensive income.

Sensitivity analysis
The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2019	December 31, 2018
Increase in discount rate of 0.5% (2018: 1%)	**(23,933)**	(49,505)
Decrease in discount rate of 0.5% (2018: 1%)	**24,930**	53,984
Increase in rate of salary increase of 0.5% (2018: 1%)	**25,397**	34,023
Decrease in rate of salary increase of 0.5% (2018: 1%)	**(24,597)**	(31,653)

13. ZAKAT

The charge for the year is as follows:

	December 31, 2019 SR	December 31, 2018 SR
Current year	**2,082,354**	1,876,049
Prior years	**57,267**	2,724,300
	2,139,621	4,600,349

The significant components of the zakat base of the Company as per the filed zakat declarations, which are subject to adjustments under the zakat regulations, are as follows:

	2019 SR	2018 SR
Equity	**66,449,968**	74,798,320
Opening allowances and other adjustments	**7,952,256**	5,437,721
Book value of long term assets	**(233,805)**	(549,246)
	74,168,419	79,686,795
Adjusted profit / (loss) for the year	**7,086,244**	(4,644,835)
Zakat base	**81,254,663**	75,041,960
Zakat due	**2,089,218**	1,876,049

Movement in provision is as follows:

	December 31, 2019 SR	December 31, 2018 SR
At the beginning of year	**7,893,700**	4,493,351
Charge for the year	**2,146,485**	4,671,844
Over provision of prior year	**(6,864)**	(71,495)
Payments during the year	**(1,869,185)**	(1,200,000)
At the end of the year	**8,164,136**	7,893,700

The differences between the financial and adjusted Zakatable income are mainly due to certain disallowed provisions.

Status of assessments

For the years from 2008 to 2011 the General Authority of Zakat and Tax (the “GAZT”) has raised an assessment assessing additional zakat on the Company amounting to SR 3,221,856. The Company has filed an appeal against the GAZT’s assessment with Preliminary Committee for Zakat and Tax Appeals (“PCZTA”). During the year 2016, the PCZTA has issued its decision no. 15 of 1437H in favour of the GAZT. The Company decided to file an appeal before the Higher Appeal Committee (“HAC”). In order to file this appeal, the Company had to submit a bank guarantee of SR 3,221,856 for the additional zakat liability. The Company is currently awaiting the decision from HAC. However, in prior years, management decided to provide for the additional zakat liability in full.

For the years from 2012 to 2013, the Zakat returns have been submitted to the GAZT within the statutory deadlines. During the year 2018, the GAZT raised an assessment assessing additional zakat on the Company in the amount of SR 2,800,349 for the years 2012 and 2013. The Company filed appeal against the GAZT’s assessment with PCZTA and is currently awaiting for PCZTA to arrange the hearing session. During the year 2018, management decided to provide for the additional zakat liability in full.

13. ZAKAT *(Continued)*

For the years from 2014 to 2017, the Zakat returns have been submitted to the GAZT within the statutory deadlines and Zakat due, as per the return, have been settled. The returns are still under review by the GAZT and assessments have not yet been issued.

For the year 2018, the Zakat return have been submitted to the GAZT within the statutory deadlines and Zakat due, as per the return, have been settled. However, and during the year 2019, the GAZT issued a zakat assessment requesting the Company to settle additional zakat liability amounting to SR 57,267. The Company has accepted such assessment and agreed to settle the additional zakat liability.

14. TRADE AND OTHER PAYABLES

	December 31, 2019 SR	December 31, 2018 SR
Bonus provision	**1,452,000**	384,000
Vat payable	**540,179**	66,502
Accrued expenses	**517,095**	800,276
Accrued Board of Directors' remuneration	**155,000**	-
Withholding tax	**137,242**	68,306
GOSI payable	**60,086**	36,710
Other	**280,940**	229,060
	3,142,542	1,584,854

15. REVENUE

Set out below is the disaggregation of the Company's revenue from its contracts with customers:

a) Disaggregation by type of service

	December 31, 2019 SR	December 31, 2018 SR
Arranging	**9,371,875**	41,355
Custody	**5,486,927**	4,139,770
Dealing, net	**2,084,627**	711,663
Asset management	**1,989,076**	2,625,000
	18,932,505	7,517,788

b) Disaggregation by customer type

	December 31, 2019 SR	December 31, 2018 SR
Related party	**4,805,187**	3,764,364
Non related party	**14,127,318**	3,753,424
	18,932,505	7,517,788

16. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2019 SR	December 31, 2018 SR
Salaries and employee-related expenses	**9,710,772**	7,681,823
Legal and professional fees	**870,420**	1,419,405
Repairs and maintenance	**816,770**	883,566
Communication expense	**601,437**	650,660
Depreciation and amortization	**385,810**	113,991
Amortization of right-of-use asset	**362,906**	-
Stationary and subscription fees	**245,912**	318,105
Security charges	**188,500**	223,500
Independent board members remuneration	**185,000**	191,613
Travel expenses	**181,515**	93,196
Utilities	**103,122**	173,161
Interest expense on lease liability	**2,683**	-
Rent expenses	**-**	747,372
Other	**214,057**	151,840
	13,868,904	12,648,232

17. OTHER EXPENSES, NET

	December 31, 2019 SR	December 31, 2018 SR
Recharge from related parties, net	**264,312**	127,629
Foreign exchange loss (gain), net	**4,282**	(24,491)
Others	**(48,767)**	-
	219,827	103,138

18. SPECIAL COMMISSION INCOME

	December 31, 2019 SR	December 31, 2018 SR
Special commission income on time deposits	**1,939,201**	1,444,316
	1,939,201	1,444,316

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, due from a related party and other receivables. Financial liabilities consist of due to related parties and other payables. The fair values of financial assets and financial liabilities of the Company at the reporting date approximates their carrying values. All financial assets and financial liabilities of the Company are classified under level 2 of the fair value hierarchy.

20. FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

a) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and currency risk.

Interest rate risk
Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's term deposits are placed with the Bank with fixed interest rate. The Company does not have any significant exposure to special commission rate risk as it does not have any floating special commission rate bearing financial assets or liabilities as at the reporting date and does not carry any fixed special commission bearing financial instruments at fair value.

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake any significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year. As Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk. The Company manages currency risk exposure to other currencies by continuously monitoring the currency fluctuations. As at the reporting date, the Company's exposure to foreign currency balances was not significant.

b) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings and usually with the parent entity. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

20. FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	December 31, 2019 SR	December 31, 2018 SR
Bank balances	**77,894,448**	31,038,257
Term deposit	**-**	42,000,000
Due from related parties	**486,981**	-
Trade and other receivables	**5,864,935**	3,688,517
	84,246,364	76,726,774

The Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for receivables.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders and from bank facilities.

The undiscounted value of the financial liabilities of the Company at the reporting date approximate their carrying values and are all payable within 12 months of the reporting date.

21. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base and to sustain future development of the business.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

22. ASSETS HELD IN FIDUCIARY CAPACITY

As at December 31, 2019, client money held under fiduciary capacity amounted to SR 53 million (December 31, 2018: SR 31.43 million), and the net asset value of the assets under management held under fiduciary capacity amounted to SR 1,244 million (December 31, 2018: SR 1,288 million). These amounts were maintained with the Company by its customers for the purpose of investment, on their behalf, in the local and UAE equity market denominated in SR, AED and USD. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company.

22. ASSETS HELD IN FIDUCIARY CAPACITY (Continued)

The Company entered into custodial service agreement with a real estate fund operating in the kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as a custodian for the fund.

23. RETIREMENT BENEFIT INFORMATION

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 401,531 (December 31, 2018: SR 322,164).

24. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	December 31, 2019 SR 000's	December 31, 2018 SR 000's
Capital Base:		
Tier 1 Capital	**71,030**	66,413
Tier 2 Capital	**-**	-
Total Capital Base	**71,030**	66,413
Minimum Capital Requirement:		
Market risk	**31**	-
Credit risk	**3,691**	2,564
Operational risk	**3,467**	3,162
Total minimum capital required (see note (d) below)	**7,189**	5,726
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**9.88**	11.60
Tier 1 Capital Ratio (times)	**9.88**	11.60
Surplus in the capital	**63,841**	60,687

a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and audited retained earnings) and Tier 2 capital. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules and the capital base should not be less than the minimum capital requirement.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

d) The minimum capital required as per Article 6 (g) of the Authorised Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

25. COMPARATIVE FIGURES

Certain comparative figures of the statement of financial position as of December 31, 2018 have been reclassified to conform with current year presentation as follows:

	Amounts as previously reported SR	Reclassification SR	Amount as presented SR
Trade and other receivables:	4,167,383	(87,261)	4,080,122
Provision against advances to employees	-	(14,279)	(14,279)
VAT receivable	72,982	(72,982)	-
Trade and other payables:	1,672,115	(87,261)	1,584,854
Provision against advances to employees	14,279	(14,279)	-
VAT payable	139,484	(72,982)	66,502

26. EVENTS SUBSEQUENT TO THE REPORTING DATE

The emergence of COVID-19 (coronavirus) has created economic and financial disruptions in the global economy, which has led to operational challenges that could impair the Company’s ability to manage or conduct some of its businesses. In line with many national and local guidelines, the Company has followed the local regulatory guidance encouraging remote-working arrangements and maintained its business operations continuity.

Given the disruptions in the markets, the Company is closely tracking their operational capacity. Additionally, the financial effects of the outbreak have a high degree of uncertainty, given that they are dependent on external factors such as the spread of the virus and the measures taken by the various governments. The Company continues to use its risk management framework to assess the potential impact on the operations, liquidity and capital and maintaining an active dialogue with all its relevant regulators during this period.

As a result, the Company’s management considers this outbreak as a non-adjusting subsequent event in accordance with IAS 10. As at the financial statements issuance date, the management of the Company are in the process of assessing the potential impact of Covid-19 on its business operations and any financial impact will be shown in future reporting periods.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on May 20, 2020 (corresponding to Ramadan 27, 1441).