Audi Capital Company
(Mixed Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Company
(A Mixed Closed Joint Stock Company)

Opinion

We have audited the financial statements of Audi Capital Company - A Mixed Closed Joint Stock Company (the "Company") which comprise of the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Financial Reporting Standards 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi, we exercise professional judgment 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 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Company
(A Mixed Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 6 Sha'aban 1441H
(30 March 2020)

ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	31 December 2019 SR	31 December 2018 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	6	**1,061,943**	1,202,626
Intangible assets, net	7	**1,882,233**	3,172,702
Right of use assets	8	**1,082,679**	-
Investments at amortised cost	9	**40,180,659**	89,779,301
Deferred tax assets	19	**3,815,050**	4,061,879
Term deposit	13.2	**30,136,530**	-
TOTAL NON-CURRENT ASSETS		**78,159,094**	98,216,508
CURRENT ASSETS			
Loans to customers	10	**1,210,789**	3,174,144
Accounts receivables, prepayments and other assets	11	**16,203,394**	19,906,052
Investments at fair value through profit or loss	12	**5,131,744**	-
Cash and cash equivalents	13.1	**13,672,514**	7,994,075
TOTAL CURRENT ASSETS		**36,218,441**	31,074,271
TOTAL ASSETS		**114,377,535**	129,290,779
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	15	**100,000,000**	100,000,000
Statutory reserve	16	**10,398,896**	10,398,896
(Accumulated losses) retained earnings		**(12,785,292)**	6,572,904
Other reserves		**998,885**	958,185
TOTAL SHAREHOLDERS' EQUITY		**98,612,489**	117,929,985
NON-CURRENT LIABILITIES			
Employee defined benefit liability	17	**4,552,200**	4,180,500
Deferred income		**2,062,500**	-
Deferred tax liability	19	**239,553**	239,553
TOTAL NON-CURRENT LIABILITIES		**6,854,253**	4,420,053
CURRENT LIABILITIES			
Lease liability - current	8	**1,051,767**	-
Accrued expenses and other payables	18	**5,135,947**	6,234,037
Deferred income -current		**1,375,000**	-
Zakat and income tax payable	19	**1,348,079**	706,704
TOTAL CURRENT LIABILITIES		**8,910,793**	6,940,741
TOTAL LIABILITIES		**15,765,046**	11,360,794
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**114,377,535**	129,290,779

The attached notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	31 December 2019 SR	31 December 2018 SR
OPERATING INCOME			
Dealing and brokerage income	20	**13,601,080**	13,139,487
Managing income		**14,402,588**	13,185,530
Custody income		**6,591,694**	4,842,690
Arranging income		**45,000**	375,000
Advising income		**-**	480,908
TOTAL OPERATING INCOME		**34,640,362**	32,023,615
Fees expense		**(1,501,537)**	(580,241)
TOTAL OPERATING INCOME, NET		**33,138,825**	31,443,374
OPERATING EXPENSES			
General and administration expenses	21	**(25,966,396)**	(27,142,637)
NET OPERATING INCOME		**7,172,429**	4,300,737
Other income, net	22	**63,098**	109,969
Impairment charge for credit losses	9 & 13	**(24,958,663)**	-
LOSS (PROFIT) BEFORE ZAKAT AND INCOME TAX		**(17,723,137)**	4,410,706
Zakat and income tax charge	19	**(1,547,817)**	(659,179)
(LOSS) PROFIT FOR THE YEAR		**(19,270,954)**	3,751,527
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement gain on defined benefit liability	17	**40,700**	1,067,800
Deferred tax charge	19	**-**	(213,566)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**40,700**	854,234
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(19,230,254)**	4,605,761

The attached notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital SR	Statutory reserve SR	Retained earnings/ accumulated losses SR	Other reserves SR	Total SR
As at 1 January 2018	100,000,000	10,023,743	3,196,530	103,951	113,324,224
Profit for the year	-	-	3,751,527	-	3,751,527
Other comprehensive income	-	-	-	854,234	854,234
Total comprehensive income for the year	-	-	3,751,527	854,234	4,605,761
Transfer to statutory reserve	-	375,153	(375,153)	-	-
Balance at 31 December 2018	100,000,000	10,398,896	6,572,904	958,185	117,929,985
Balance at 1 January 2019	100,000,000	10,398,896	6,572,904	958,185	117,929,985
Impact of IFRS 16 (note 3)	-	-	(87,242)	-	(87,242)
Restated balance at 1 January 2019	100,000,000	10,398,896	6,485,662	958,185	117,842,743
Loss for the year	-	-	(19,270,954)	-	(19,270,954)
Other comprehensive income	-	-	-	40,700	40,700
Total comprehensive loss for the year	-	-	(19,270,954)	40,700	(19,230,254)
Balance at 31 December 2019	**100,000,000**	**10,398,896**	**(12,785,292)**	**998,885**	**98,612,489**

The attached notes 1 to 28 form an integral part of these financial statements.

AUDI CAPITAL COMPANY
(MIXED CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 SR	31 December 2018 SR
OPERATING ACTIVITIES			
(Loss) profit before zakat and income tax		**(17,723,137)**	4,410,706
Adjustments to reconcile (Loss)/Profit before zakat and tax to net cash flows from operating activities:			
Depreciation and amortization	6, 7, & 8	**3,112,377**	2,270,375
Provisions for employee benefit obligations	17	**815,500**	1,054,200
Exchange gains net	22	**4,312**	(16,182)
Amortization of premium		**417,147**	828,642
Impairment charge for credit losses	9 & 13.2	**24,958,663**	-
Loss on disposal of investment	20	**3,410,782**	-
Accretion of interest on lease	8	**68,787**	-
Unrealized gain on investment at FVPL		**(131,744)**	-
Operating cash flows before working capital changes		**14,932,687**	8,547,741
Change in working capital			
Accounts receivable, prepayments and other current financial assets		**3,566,416**	(3,663,691)
Loan to customers		**1,963,355**	(144,359)
Accrued expenses and other payables		**(1,102,402)**	(178,912)
Deferred income		**3,437,500**	-
Net cash flow from operations		**22,797,556**	4,560,779
Zakat and income tax paid	19	**(659,613)**	(253)
End of service benefits paid	17	**(403,100)**	(1,158,400)
Net cash from operating activities		**21,734,843**	3,402,126
INVESTING ACTIVITIES			
Purchase of investments at FVPL		**(5,000,000)**	-
Proceeds from disposal of investments at amortised cost		**31,934,320**	-
Additions to term deposits		**(41,258,800)**	
Purchase of property and equipment		**(397,892)**	(123,001)
Purchase of intangible assets		**(264,832)**	(370,648)
Net cash used in investing activities		**(14,987,204)**	(493,649)
FINANCING ACTIVITY			
Payment of lease liability		**(1,069,200)**	-
Cash used in financing activity		**(1,069,200)**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**5,678,439**	2,908,477
Cash and cash equivalents at the beginning of the year	13	**7,994,075**	5,085,598
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**13,672,514**	7,994,075
Supplemental information:			
Change in actuarial valuation		**(40,700)**	(1,067,800)
Special commission income received		**8,877,051**	5,262,592
Addition to right of use assets		**2,101,180**	-
Addition to lease liability		**(2,052,180)**	-

The attached notes 1 to 28 form an integral part of these financial statements.

1 ACTIVITIES

Audi Capital Company (the “Company”) is a Mixed Closed Joint Stock Company, incorporated and domiciled in Riyadh, Kingdom of Saudi Arabia. The Company has obtained a license number 692 dated 2 Jumad Al Awal 1427H (corresponding to 30 May 2006) from the Saudi Arabian General Investment Authority (“SAGIA”). The Company is registered under commercial registration number 1010226747 dated 18 Dhul Hajjah 1427H (corresponding to 8 January 2007). The Company has also obtained a license number 06017-37 dated 22 Rabi Al Thani 1427H (corresponding to 20 May 2006) from the Capital Market Authority (the “CMA”). The registered office is located at Centria Building, Prince Mohammad bin Abdulaziz Road (Tahlia), Riyadh, Kingdom of Saudi Arabia.

The Company is licensed to act as principal and agent, to underwrite and manage mutual funds and portfolios and to provide arranging, advising, custodial and international brokerage services.

2 BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for investments at fair value through profit or loss (“FVPL”) are measured at fair value.

c) Functional and presentation currency

The financial statements are presented in Saudi Riyals (“SR”) which is the Company’s functional currency. All values have been rounded to the nearest Saudi Riyal, except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through profit or loss or through other comprehensive income ("OCI").

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Debt instruments

The Company uses two classifications to subsequently measure and recognize its debt instruments:

- Amortised cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Time deposits, due from related parties and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are measured at amortised cost.

- Fair Value through Profit or Loss ("FVPL")

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and which is not part of a hedging relationship is recognised and presented net in the profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss even following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive dividend is established.

Changes in the fair value of equity instruments at fair value through profit or loss are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)

i) Financial assets (continued)

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

a) The rights to receive cash flows from the asset have expired, or
b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortised cost, which is either based on a 12-month ECL or life time ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs.

The Company's financial liabilities mainly include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

All other financial liabilities that are not carried at fair values are subsequently measured at amortized cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)

iii) Financial assets (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3.3 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included, if any, in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Asset categories	Useful lives
Furniture, fixtures and improvements	10 years
Office equipment and computers	4 years
Motor vehicles	4 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted prospectively if appropriate.

Impairment losses and gains (losses) on disposal of property and equipment are included in statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Intangible assets

Intangible assets of the Company comprise computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized cost of internally developed software include all cost directly attributable to developing the software and is amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and accumulated impairment, if any.

Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss.

3.5 Employee benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits scheme is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under ‘general and administration expenses’ in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.7 Zakat and income tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian regulations and is charged to profit or loss on an accrual basis. This is adjusted, if applicable, upon receiving the final zakat assessment.

Income tax

Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Provision

Provisions for legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted where the effect is material.

3.9 Contingent liabilities

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

3.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

3.11 Revenue

The Company is in the business of providing services which are set out below. Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Dealing income

Dealing activities include trading in a security, whether as principal or agent, and to sale, purchase and to manage the subscription for/of underwriting securities. Income from dealing services is recognized when the performance obligations have been satisfied.

Managing income

Managing activities include managing securities and funds belonging to another person in circumstances involving the exercise of discretion. Management fees is recognised on an accrual basis over the period as the Company renders services.

The performance fee income is based on a portfolio's performance. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, the effect of the clawback does not apply since the Company does not recognize any revenue against the performance fee until the end of the relevant period. If the benchmark has been achieved, this is when the performance fee is crystallized and recorded as revenue.

Advisory income

Advising activities include advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security. This relates to income generated by providing financial advisory services to counterparties, individuals and institutional investors. The Company charges financial advisory service fees and recognises this as revenue upon delivery of services or once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

Arranging income

Arranging activities include introducing parties in relation to securities business, advising on corporate finance business or acting in a way to bring about a deal in a security. Revenue for arranging services is recognized at a point in time when the promises for the facilities are completed.

Custody income

Custody activities include safeguarding assets belonging to another person including securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures. Revenue from custody activities are recognized once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Net gain or loss on financial assets at fair value through profit or loss

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

3.13 Dividend income

Dividend income is recognised on the date when the Company's right to receive the dividend is established.

3.14 Interest revenue and expense

Interest revenue and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the assets and liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. 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 EIR. The EIR amortisation is included in dealing income /interest expense in the statement of profit or loss, if it does not qualify for capitalisation. Fee and commission income that are integral to EIR calculation are included in the measurement of the relevant assets. Fee and commission income that are not an integral part of the EIR calculation on a financial asset or liability are recognised when the related service is provided.

3.15 Fees and expenses

Fees related to managing, custody, arranging, advising, dealing, and other similar services are recognized when the related services are received.

General and administration expenses are mainly staff costs, professional fees and rent. All other expenses are classified based on their nature in profit or loss.

3.16 Dividends

Final dividend is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders. Interim dividend is recorded as a liability and when approved by the Board of Directors.

13.17 New and amended standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2019:

IFRS 16 LEASES ("IFRS 16")

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

13.17 New and amended standards and interpretations(continued)

IFRS 16 LEASES (“IFRS 16”) (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Company has adopted the modified retrospective application method, and accordingly the Company has not restated comparative information. Instead, the Company recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019).

As a result, of the initial application of IFRS 16 to operating leases using the abovementioned method, lease liability was measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at 1 January 2019. The right to use assets was measured at its carrying amount as if the standard has been applied since the commencement date, but discounted using the Company’s incremental borrowing rate as at 1 January 2019. The impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019 are as follows:

	SR
Right of use asset	2,101,180
Opening balance prepayment adjustment	(136,242)
Lease liabilities	(2,052,180)
Retained earnings	(87,242)

Right of Use (RoU) Assets / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets

The Company applies the cost model, and measures right of use assets at cost:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the RoU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:
a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease payments are discounted using the incremental borrowing rate, being the rate that the Company 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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company does not have any finance lease arrangements.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in accordance with IFRS as endorsed in KSA requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

4.2 Measurement of employment defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

4.3 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 amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least annually at the end of each financial year and the future depreciation / amortisation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Amendments to IFRS 9, IAS 39, and IFRS 7

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

6. PROPERTY AND EQUIPMENT, NET

2019	Furniture, fixtures and improvements SR	Office equipment and computers SR	Motor vehicles SR	Total SR
Cost:				
At the beginning of the year	7,366,929	8,715,497	139,700	**16,222,126**
Additions during the year	-	397,892	-	**397,892**
At the end of the year	7,366,929	9,113,389	139,700	**16,620,018**
Accumulated depreciation:				
At the beginning of the year	6,553,519	8,326,281	139,700	**15,019,500**
Depreciation charge for the year	203,130	335,445	-	**538,575**
At the end of the year	6,756,649	8,661,726	139,700	**15,558,075**
Net book amounts:				
At 31 December 2019	610,280	451,663	-	**1,061,943**

2018	Furniture, fixtures and improvements SR	Office equipment and computers SR	Motor vehicles SR	Total SR
Cost:				
At the beginning of the year	7,280,773	8,678,652	139,700	16,099,125
Additions during the year	86,156	36,845	-	123,001
At the end of the year	7,366,929	8,715,497	139,700	16,222,126
Accumulated depreciation:				
At the beginning of the year	6,346,835	7,847,983	139,700	14,334,518
Depreciation charge for the year	206,684	478,298	-	684,982
At the end of the year	6,553,519	8,326,281	139,700	15,019,500
Net book amounts:				
At 31 December 2018	813,410	389,216	-	1,202,626

7. INTANGIBLE ASSETS, NET

Intangible assets comprise of software that is depreciated on a straight line basis over an estimated useful life of 4 years.

	31 December 2019 SR	31 December 2018 SR
Cost		
At the beginning of the year	**11,978,184**	11,607,536
Additions during the year	**264,832**	370,648
At the end of the year	**12,243,016**	11,978,184
Accumulated amortization		
At the beginning of the year	**8,805,482**	7,220,089
Amortization charge for the year	**1,555,301**	1,585,393
At the end of the year	**10,360,783**	8,805,482
Net book value		
At the end of year	**1,882,233**	3,172,702

8. RIGHT OF USE ASSET

The right of use asset – building comprises of the Company’s office lease that is amortized on a straight line basis over the lease term.

	SR
Cost	
At the beginning of the year	**2,101,180**
At the end of the year	**2,101,180**
Accumulated amortization	
Amortization charge for the year	**1,018,501**
At the end of the year	**1,018,501**
Net book value	
At the end of year	**1,082,679**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	SR
At the beginning of the year	**2,052,180**
Accretion of interest	**68,787**
Payments during the year	**(1,069,200)**
At the end of the year - current	**1,051,767**

9. INVESTMENT AT AMORTISED COST

Investments at amortised cost consists of the following debt instruments:

	Maturity date	31 December 2019 SR	31 December 2018 SR
Non-current assets			
Foreign government notes-fixed rate	26 May 2023	**54,889,930**	54,946,444
Foreign government notes-fixed rate	06 April 2021	**-**	35,705,735
Provision for expected credit losses		**(14,709,271)**	(872,878)
Total investments at amortised cost		**40,180,659**	89,779,301

During the year, the Company disposed of a foreign government note with a fixed rate that was due to mature in 06 April 2021. The Company incurred a loss on disposal amounting to SR 3,410,782.

Movement in expected credit losses is as follows:

	31 December 2019 SR	31 December 2018 SR
At the beginning of the year	**872,878**	872,878
Charge during the year	**14,183,401**	-
Reversal of expected credit loss	**(347,008)**	-
At the end of the year	**14,709,271**	872,878

The expected credit loss allowance relates to Stage 2 exposure.

10. LOANS TO CUSTOMERS

	31 December 2019 SR	31 December 2018 SR
Loans to customers	**1,210,789**	3,174,144

Loans to customers represent securities lending transactions as allowed by the CMA. These are short term loans to individuals bearing average annual interest at 5.11% (2018: 4.3%). The repayment period is 6 months and the loans are secured by local equities and units in open-ended funds provided by the customers. The ECL related to loans to customers is insignificant and therefore management has not recorded such ECL in these financial statements.

11. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	31 December 2019 SR	31 December 2018 SR
Management and advisory fees receivable	**5,508,992**	10,589,484
Advance income tax/ tax refund receivable (note 19)	**6,328,938**	6,328,938
Accrued special commission income	**2,193,658**	965,501
Prepaid charges	**943,704**	918,932
Advances to staff	**810,901**	810,002
Others	**417,201**	293,195
	16,203,394	19,906,052

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Company acquired 133,333 units of Audi Income IPO Fund.

	31 December 2019 SR	31 December 2018 SR
Cost	**5,001,744**	-
Unrealised gain	**130,000**	-
Market value	**5,131,744**	-

13.1 CASH AND CASH EQUIVALENTS

	31 December 2019 SR	31 December 2018 SR
Cash in hand	**25,486**	29,999
Bank balances	**3,020,828**	1,464,076
Short term deposits	**10,626,200**	6,500,000
	13,672,514	7,994,075

Short term deposits carry an average interest rate of 1.70% - 2.3% (31 December 2018: 2.5% - 3%) per annum.

13.2 TERM DEPOSIT

	31 December 2019 SR	31 December 2018 SR
Medium term deposit	**41,258,800**	-
Provision for expected credit losses	**(11,122,270)**	-
	30,136,530	-

Term deposits carry an average interest rate of 10% (31 December 2018: Nil) per annum. During the year, certain interest received upfront which has been amortised over the term of the deposit.

13.2 TERM DEPOSIT (continued)

The expected credit loss allowance relates to Stage 2 exposures.

14. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise the shareholders and affiliated companies. The Company enters into transactions with related parties in the normal course of its business.

The following are details of major related party transactions during the year and its balances at the end of the year:

Relationship	Nature	Transactions 2019 SR	2018 SR
Affiliates	Custody income	**43,888**	187,590
	Dealing income	**337,007**	301,708
	Managing income	**2,382,373**	2,994,628
	Fee expense	**(370,541)**	(580,241)
	General and administration expenses	**(950,297)**	(1,047,884)
Shareholders	Custody income	**646,663**	472,499
	Dealing income	**3,261,947**	3,031,405
	Managing income	**(76,388)**	(76,688)
	Fee expense	**(643,801)**	-
	Special commissions	**1,856,503**	-

The remuneration to the Board of Directors, Audit committee and key management personnel is as follows:

	2019 SR	2018 SR
Board of Directors meeting attendance fees	**200,000**	200,000
Audit Committee meeting attendance fees	**200,000**	200,000
Key management personnel	**3,588,148**	4,894,322

Relationship	Nature	31 December 2019 SR	31 December 2018 SR
Affiliates	Cash and cash equivalents	**528,182**	57,503
	Accounts receivables, prepayments and other assets	**722,747**	619,648
	Accrued expenses and other payables	**510,315**	157,040
Shareholders	Cash and cash equivalents	**41,308,235**	25,110
	Accounts receivables, prepayments and other assets	**3,584,016**	5,576,797
	Accrued expenses and other payables	**157,463**	1,325,618

15. SHARE CAPITAL

	31 December 2019 SR	31 December 2018 *SR*
Ordinary shares (SR 10 per share)	**100,000,000**	100,000,000

The Company’s authorised share capital of SR 100 million (31 December 2018: SR 100 million) is divided into 10 million shares (31 December 2018: 10 million shares) of SR 10 each, which is fully paid.

16. STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to a statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution. Since the Company incurred a loss during the current year, no transfer occurred.

17. EMPLOYEE DEFINED BENEFIT LIABILITIES

The movement in provision for end-of-service benefits for the year ended as follows:

	31 December 2019 SR	31 December 2018 SR
Balance at beginning of the year	**4,180,500**	5,352,500
Charge for the year	**815,500**	1,054,200
Actuarial gain on remeasurement	**(40,700)**	(1,067,800)
Paid during the year	**(403,100)**	(1,158,400)
Balance at the end of the year	**4,552,200**	4,180,500

The charge for the year in profit or loss comprises:

	31 December 2019 SR	31 December 2018 SR
Current service cost	**600,400**	840,100
Interest cost	**215,100**	214,100
	815,500	1,054,200

The above is based on actuarial valuation carried out by the Company using the projected unit credit method.

Significant actuarial assumptions

The following were the principal actuarial assumptions used in the actuarial valuation:

	31 December 2019	31 December 2018
Financial assumptions		
Discount rate	**3.00%**	4.50%
Salary growth rate	**3.75%**	3.75%
Demographic assumptions		
Retirement age	**60 years**	60 years

18. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2019 SR	31 December 2018 SR
Accounts payables and other	**1,467,962**	2,458,499
Accrued staff bonus	**1,875,400**	1,036,500
Accrued expenses	**1,792,585**	2,739,038
	5,135,947	6,234,037

19. ZAKAT AND INCOME TAX

Charge for the year:

	31 December 2019 SR	31 December 2018 SR
Zakat	**327**	281
Current income tax	**1,300,661**	663,858
Prior year adjustment for income tax	**-**	(275,960)
Deferred tax	**246,829**	271,000
Zakat and income tax charge for the year	**1,547,817**	659,179
Deferred tax charged to other comprehensive income	**-**	213,566

a) Zakat

The zakat charge amounting to SR 327 (2018: SR 281) represents provision for the current year.

	31 December 2019 SR	31 December 2018 SR
Share capital	**100,000,000**	100,000,000
Retained earnings	**6,572,904**	3,196,530
Statutory reserve	**10,398,896**	10,023,743
Provisions	**4,650,278**	4,512,654
Other reserve	**958,185**	103,951
	122,580,263	117,836,878
Book value of non-current assets	**(4,026,855)**	(11,379,297)
	118,553,408	106,457,581
Adjusted income for the year	**12,401,362**	5,962,146
Zakat base	**130,954,770**	112,419,727
Saudi shareholders’ share of the zakat base at 0.01% (2018: 0.01%)	**13,095**	11,242
Zakat charge at 2.5%	**327**	281

19. ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

	31 December 2019 SR	31 December 2018 SR
At the beginning of the year	**316**	288
Charge for the year	**327**	281
Paid during the year	**(282)**	(253)
At the end of the year	**361**	316

b) Income tax

Charge for the year

During the current year, the Company provided for income tax of SR 1,300,661(2018: SR 663,858), relating to the non-Saudi shareholders' holding of 99.99% (2018: 99.99%) of the share capital.

Movements in provision during the year

The movement in the income tax provision for the year was as follows:

	31 December 2019 SR	31 December 2018 SR
At the beginning of the year	**706,388**	318,490
Charge for the year	**1,300,661**	663,858
Prior year adjustment	**-**	(275,960)
Paid during the year	**(659,331)**	-
At the end of the year	**1,347,718**	706,388

c) Deferred tax

	31 December 2019 SR	31 December 2018 SR
Deferred tax asset- profit or loss		
Employee defined benefit liabilities	**1,158,128**	1,075,653
Carried forward taxable losses	**1,124,867**	1,585,431
Property and equipment	**1,532,055**	1,400,795
	3,815,050	4,061,879
Deferred tax liability- OCI		
Employee defined benefit liability	**239,553**	239,553

19. ZAKAT AND INCOME TAX (continued)

d) Status of assessment

On 26 July 2017, Higher Appeal Committee ("HAC") issued its resolution in response to Company's appeals relating to assessments for the years 2007 and 2008 in favor of the Company for almost all of the disputed items which resulted in a revised assessment issued by the General Authority of Zakat and Tax (the "GAZT") resulting in a refund of SR 5,272,130. Previously, the Company, based on its internal assessment, had only accounted for an advance tax amounting to SR 3,513,974 and therefore the Company recorded an additional tax credit of during 2017.

Accordingly, the tax position for the year 2007 and 2008 was concluded as per the revised assessment issued by GAZT based on its letter no. 11973/16/1439 dated 1/4/1439 corresponding to 19 December 2017. In addition, the Company has an advance tax payment of SR 1,056,808 paid during 2015. Therefore, the total advance tax asset as of 31 December 2019 amounts to SR 6,328,938 (31 December 2018: SR 6,328,938).

During 2018, the Company received assessments from the GAZT for the years 2009 to 2012 resulting in additional zakat, income tax and withholding tax liabilities amounting to a total of SR 4,235,607, in addition to delay penalties. The Company has filed an appeal providing its detailed arguments against such assessments. The GAZT issued revised zakat and income tax assessments for the said years with additional zakat and tax liabilities amounting to a total of SR 288,953 (i.e. a total reduction from the first assessments in amount of SR 3,946,654), in addition to delay penalties. The Company did not agree with the GAZT's revised assessments and escalated its case with the General Secretary of Appeal Committees ("GSTC"). The case is still under review by the GSTC and no hearing session was set up until to date. The Company's management believes that there will be no additional tax and Zakat liabilities. Accordingly, no additional provision is made in these financial statements.

During 2019, the Company received assessments from the GAZT for the years 2013 to 2015 resulting in additional zakat, income tax and withholding tax liabilities amounting to a total of SR 4,649,585, in addition to delay penalties. The Company has filed an appeal providing its detailed arguments against such assessments. The GAZT issued the revised assessments for the said years with additional zakat and income tax liabilities amounting to a total of SR 1,090,716 (i.e. a total reduction from the first assessments in amount of SR 3,558,869), in addition to delay penalties. The Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC. The case is still under review by the GSTC and no hearing session was set up until to date. The Company's management believes that there will be no additional tax and Zakat liabilities.

Additionally, on 8 July 2019, the Company received assessments from the GAZT for the years 2016 and 2017. The assessment for 2016 resulted in additional zakat and tax liabilities amounting to a total of SR 377,737, in addition to delay penalties. The Company has filed an appeal providing its detailed arguments against such assessment. The GAZT issued the revised assessment for the said year with no additional tax or zakat liability as it accepted most of the items. However, the Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC in order reserve its right for the carry forward losses. The case is still under review by the GSTC and no hearing session was set up until to date. For the FY 2017 assessment, the GAZT has accepted the Company return year with no additional tax or zakat liability and cleared the Company's status for the mentioned year.

Finally, the Company received a withholding tax assessment for December 2017 amounting to SR 58,088. The Company has filed an appeal providing its detailed arguments against such assessments. The GAZT issued a revised assessment with an additional withholding liability amounting to SR 40,934, in addition to delay penalties. The Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC. The case is still under review by the GSTC and no hearing session was set up until to date. The Company's management believes that there will be no additional tax and Zakat liabilities.

20. DEALING AND BROKERAGE INCOME

	31 December 2019 SR	31 December 2018 SR
Brokerage income	**10,323,385**	7,419,283
Special commission income	**6,667,708**	5,720,204
Loss on disposal of investment at amortised cost (note 9)	**(3,410,782)**	-
Dividend income	**20,769**	-
	13,601,080	13,139,487

21. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2019 SR	31 December 2018 SR
Employee costs	**15,771,895**	16,601,243
Depreciation and amortization expense (notes 6 and 7)	**2,093,876**	2,270,375
Right of use asset amortization (note 8)	**1,018,501**	-
Legal and professional fees	**1,670,430**	1,473,283
Rent and utility expenses	**1,609,012**	1,622,369
IT related expenses	**1,555,970**	1,496,817
Travel and related expenses	**494,193**	529,109
Board of Directors' and Audit Committee remuneration	**400,000**	400,000
Other	**1,352,519**	2,749,441
	25,966,396	27,142,637

22. OTHER INCOME, NET

	31 December 2019 SR	31 December 2018 SR
Foreign exchange gains, net	**(4,312)**	16,182
Miscellaneous income	**67,409**	93,787
	63,097	109,969

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2019 and 31 December 2018.

	31 December 2019 SR	31 December 2018 SR
Financial assets at amortised cost		
Investments at amortised cost	**40,180,659**	89,779,301
Term deposit	**30,136,530**	-
Loans to customers	**1,210,789**	3,174,144
Accounts receivable and other assets	**8,930,752**	12,658,182
	80,458,730	105,611,627
Financial assets at fair value through profit or loss	**5,131,744**	-
	85,590,474	105,611,627
Total current	**15,273,285**	15,832,326
Total non-current	**70,317,189**	89,779,301

Set out below is an overview of financial liabilities held by the Company as at 31 December 2019 and 31 December 2018.

	31 December 2019 SR	31 December 2018 SR
Financial liabilities at amortised cost		
Lease liability - current	**1,051,767**	-

24. ASSETS UNDER MANAGEMENT

These represent funds invested by the Company on behalf of its customers under a fiduciary arrangement. The investments are made in different financial instruments such as time placements, equity instruments, mutual funds and bonds. These amounts are summarized below.

31 December 2019	Cash SR	Funds SR	Bonds SR	Equities SR	Total SR
Advisory Clients	**299,474,159**	**139,014,518**	**585,275,122**	**1,663,672,930**	**2,687,436,729**
Managed Mutual Funds	**5,127,237**	**-**	**34,838,531**	**95,543,991**	**135,509,759**
Discretionary Clients	**98,735,384**	**34,385,054**	**10,463,581**	**288,609,680**	**432,193,699**
	403,336,780	**173,399,572**	**630,577,234**	**2,047,826,601**	**3,255,140,187**

31 December 2018	Cash SR	Funds SR	Bonds SR	Equities SR	Total SR
Advisory Clients	397,787,948	176,711,350	582,441,595	1,236,364,003	2,393,304,896
Managed Mutual Funds	19,515,788	-	-	144,348,863	163,864,651
Discretionary Clients	152,927,730	-	-	742,970,586	895,898,316
	570,231,466	176,711,350	582,441,595	2,123,683,452	3,453,067,863

Pledge to third party

As at 31 December 2019, certain customers have pledged their investments, amounting to SR 530,463,731 (2018: SR 331,900,530), against their borrowings from the Company and from third parties.

25. FAIR VALUE

As at 31 December 2019 the Company has SR 5,131,744 (2018: SR NIL) financial assets measured at fair values, and no financial liabilities that are measured at fair values, which can be classified within level 2 of the fair value hierarchy

Other than the above and the investments carried at amortized cost, the fair values of all other financial assets and liabilities carried are not significantly different from their carrying amounts. The fair values of investments at amortized cost amounts to SR 25,253,437 (31 December 2018: SR 78,504,930) and these are classified within level 2 of the fair value hierarchy.

Subsequent non-adjusting events disclosure

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, operational risk and credit risk arising from the financial instruments it holds.

Risk management structure

The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk measurement and reporting system

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on scenario analysis. The models make use of various stress testing and scenario analysis in order to report assumptions and results.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of performing a risk before entering in any relationship with the counterparty. The assessments are reviewed at least yearly. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

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

	31 December 2019 SR	31 December 2018 SR
Loans to customers	**1,210,789**	3,174,144
Accounts receivable and other assets	**8,930,752**	12,658,182
Investments at amortised cost	**40,180,659**	89,779,301
Investments at fair value through profit or loss	**5,131,744**	-
Time deposits	**40,762,730**	7,994,075
	96,216,674	113,605,702

Cash equivalents

Credit risk on cash equivalents is limited as these balances are held with banks with sound credit ratings.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit concentration

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date other than the portfolio of investments at amortized costs which consists entirely of Lebanese government bonds.

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 sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from shareholders and related parties at all times to meet any future commitments, and financing facilities are available. Financial liabilities comprise of other payables and these are due within one year. The undiscounted values of financial liabilities of the Company at the reporting date are not materially different than their carrying values.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities and bank deposits carry fixed interest rates and are carried at amortized costs and accordingly management believes that the Company is not exposed to any significant interest rate risk.

Equity price risk

The value of equity investments is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. As at 31 December 2019 and 31 December 2018, the Company has no equity instruments hence is not subject to such risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk, as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals and US Dollars. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year and Saudi Riyals is pegged to the US Dollars.

27. CAPITAL ADEQUACY

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

	31 December 2019	*31 December 2018*
	SR 000	*SR 000*
Capital Base		
Tier I	**92,915**	110,695
Total Capital Base	**92,915**	110,695
Minimum Capital Requirement:		
Market risk	**2,609**	1,945
Credit risk	**43,290**	75,821
Operational risk	**6,492**	6,786
Total Minimum Capital Required	**52,391**	84,552
Capital adequacy ratio		
Total Capital Ratio (times)	**1.77**	1.31
Tier 1 Capital Ratio (times)	**1.77**	1.31
Surplus	**40,524**	26,143

a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve, audited retained earnings less intangible assets and deferred tax assets) and Tier 2 capital (which is Nil) as per article 4 and 5 of the Prudential Rules. 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. 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, as well as internal guidelines, to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

d) No changes were made in the objectives, policies or processes for managing capital during the current and prior year.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 29 March 2020 (corresponding to 5 Sha'aban 1441H).