HSBC Saudi Arabia

Financial Statements for the year ended 31 December 2019

بسم الله الرحمن الرحيم

HSBC SAUDI ARABIA

(A Saudi Closed Joint Stock Company)

Financial Statements
For the year ended 31 December 2019

together with the

INDEPENDENT AUDITOR’S REPORT

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INDEPENDENT AUDITORS' REPORT

KPMG

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License No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the shareholders of HSBC Saudi Arabia

Opinion

We have audited the financial statements of HSBC Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December 2019, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising 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 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") 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 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 the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of the 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report

To the shareholders of HSBC Saudi Arabia (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 ISA 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 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 ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of HSBC Saudi Arabia ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License No: 460

15 Rajab 1441H
Corresponding to: 10 March 2020

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محاسبون ومراجعون قانونيون
C.R. 46 KPMG س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

Statement Of Financial Position

As at 31 December 2019 (Amount in Saudi Riyal)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	*5*	**457,980,727**	229,709,388
Investments - fair value through profit or loss	*7*	**231,739,849**	181,559,495
Advisory income receivable	*8*	**9,562,322**	28,785,203
Receivable against portfolio management	*9*	**3,122,021**	2,530,946
Receivable against margin lending	*10*	**741,638,615**	814,972,390
Due from related parties	*11.a*	**86,006,675**	14,204,800
Advances, prepayments and other assets	*12*	**55,344,159**	57,020,698
Property and equipment, net	*6*	**20,995,913**	13,543,029
Deferred tax asset	*13*	**8,633,476**	8,026,402
Total assets		**1,615,023,755**	1,350,352,351
LIABILITIES AND EQUITY			
Due to related parties	*11.b*	**22,689,391**	27,317,886
Deferred income		**4,296,731**	5,260,109
Short term loans	*14*	**225,720,047**	326,215,177
Accrued expenses and other liabilities	*15*	**346,132,072**	133,453,649
Zakat and income tax	*16*	**60,762,716**	28,461,531
End of service benefits	*17*	**49,186,585**	48,942,303
Total liabilities		**708,787,542**	569,650,655
Share capital	*18*	**500,000,000**	500,000,000
Statutory reserve		**150,000,000**	150,000,000
Other reserves		**(4,835,338)**	(5,314,001)
Retained earnings		**261,071,551**	136,015,697
Total equity		**906,236,213**	780,701,696
Total liabilities and equity		**1,615,023,755**	1,350,352,351

The accompanying notes (1) through (30) form an integral part of these financial statements.

Statement Of Comprehensive Income

As at 31 December 2019 (Amount in Saudi Riyal)

	Notes	2019	2018
Income from advisory services	*24*	**133,875,572**	67,672,303
Income from brokerage	*24*	**90,768,621**	67,827,248
Income from securities services	*24*	**240,836,473**	114,424,618
Asset management fee income	*24*	**106,905,499**	99,430,231
Income from margin financing	*24*	**38,035,877**	39,185,599
Brokerage income from equity swaps	*19*	**4,266,683**	18,016,088
Other income	*23*	**11,179,365**	2,666,955
Total revenues		**625,868,090**	409,223,042
Salary and employee related expenses		**212,418,813**	196,852,325
Service cost under service level agreement	*22*	**37,995,307**	22,499,616
Office and other general expenses		**17,478,988**	24,033,492
Rent and other expenses		**2,551,388**	8,562,000
Impairment allowance for expected credit losses, net		**2,367,659**	322,084
Advertising and promotion expenses		**2,202,969**	1,789,785
Interest expenses		**9,774,704**	10,028,997
Depreciation and amortization		**11,623,370**	1,914,625
Reversal of provision against operational losses		**--**	(30,584,985)
Other expenses	*21*	**32,698,725**	28,592,544
Total expenses		**329,111,923**	264,010,483
Income before zakat and income tax		**296,756,167**	145,212,559
Zakat and income tax	*16*	**(49,997,897)**	(22,962,256)
Deferred tax	*13*	**547,887**	1,307,573
Net income for the year		**247,306,157**	123,557,876
Other comprehensive income			
Item that cannot be reclassified to profit or loss in subsequent years:			
Actuarial loss on end of service benefits, net		**478,663**	(138,701)
Total comprehensive income for the year		**247,784,820**	123,419,175

The accompanying notes (1) through (30) form an integral part of financial statements.

Statement of Changes in Equity (Amount in Saudi Riyal)

	Share capital	*Statutory reserve*	*Retained earnings*	*Investment Revaluation reserve*	*Other reserves*	*Total*
Balance as at 1 January 2019	**500,000,000**	**150,000,000**	**136,015,697**	--	**(5,314,001)**	780,701,696
Net income for the year	--	--	**247,306,157**	--	--	247,306,157
Other comprehensive income for the year	--	--	--	--	**478,663**	478,663
Dividends paid during the year	--	--	**(122,250,303)**	--	--	(122,250,303)
Balance as at 31 December 2019	**500,000,000**	**150,000,000**	**261,071,551**	--	**(4,835,338)**	906,236,213
Balance as at 31 December 2017 (as previously reported)	**500,000,000**	**150,000,000**	**116,549,014**	**6,366,363**	--	772,915,377
IFRS adoption adjustments			**8,180,454**	--	**(5,175,300)**	3,005,154
Balance as at 31 December 2019	**500,000,000**	**150,000,000**	**124,729,468**	**6,366,363**	**(5,175,300)**	775,920,531
IFRS 9 adjustments			**2,807,021**	**(6,366,363)**	--	(3,559,342)
Balance as at 1 January 2018 (Restated)	**500,000,000**	**150,000,000**	**127,536,489**	--	**(5,175,300)**	772,361,189
Net income for the year	--	--	**123,557,876**	--	--	123,557,876
Other comprehensive loss for the year	--	--	--	--	**(138,701)**	(138,701)
Dividends paid during the year	--	--	**(112,692,793)**	--	--	(112,692,793)
Other adjustments	--	--	**(2,385,875)**	--	--	(2,385,875)
Balance as at 31 December 2018	**500,000,000**	**150,000,000**	**136,015,697**	--	**(5,314,001)**	780,701,696

The accompanying notes (1) through (30) form an integral part of these financial statements.

Statement of Cash Flows (Amount in Saudi Riyal)

	Notes	2019	2018
Cash flows from operating activities			
Net Income before zakat and income tax		**296,756,167**	145,212,559
Adjustments for			
Impairment allowance for expected credit losses, net		**2,367,659**	322,084
Unrealized (gain) loss on investments classified as fair value through profit or loss (FVTPL)	*7*	**(4,056,761)**	1,263,344
Realized gain on sale of investments classified as FVTPL		**(2,152,800)**	(2,188,518)
End of service benefits expense	*17*	**7,996,581**	8,244,234
Depreciation and amortization		**11,623,370**	1,914,625
Interest expenses		**9,774,704**	10,028,997
Movement in working capital			
Decrease / (increase) in advisory income receivable		**19,222,881**	(17,426,933)
(Increase) / decrease in receivable against portfolio management		**(591,075)**	6,089,235
Decrease / (Increase) in receivable against margin lending		**73,333,775**	(98,915,044)
(Increase) / decrease in due from related parties		**(71,801,874)**	10,903,396
Increase in other assets		**1,676,539**	(9,741,262)
Decrease in deferred income		**(963,378)**	(553,160)
Decrease in due to related parties		**(4,628,495)**	(5,476,768)
Increase / (decrease) in accrued expenses and other liabilities		**186,171,819**	(19,809,316)
Cash generated from operations		**524,740,112**	29,867,473
Interest paid		**(9,954,319)**	(9,815,966)
Zakat and income tax paid		**(4,931,465)**	(19,835,612)
Cash received from SABB – transfer of end of service benefits		**57,363**	1,311,720
End of service benefits paid		**(7,390,486)**	(5,957,670)
Net cash generated / (used in) operating activities		**502,521,205**	(4,430,055)
Cash flows from investing activities			
Purchase of property and equipment		**(1,598,330)**	(1,589,200)
Payment of software development		**(748,259)**	(3,899,218)
Purchase of investments		**(358,854,038)**	(330,635,960)
Proceeds from sale of investments		**314,886,110**	392,516,484
Net cash (used in) / generated from investing activities		**(46,314,517)**	56,392,106
Cash flows from financing activities			
Dividends paid		**(122,250,303)**	(112,692,793)
(Payment) / Proceeds from borrowings		**(100,000,000)**	175,000,000
Cash payment for principle portion of lease liability		**(5,685,046)**	--
Net cash (used in) / generated from financing activities		**(227,935,349)**	62,307,207
Net increase in cash and cash equivalents		**228,271,339**	114,269,258
Cash and cash equivalents at the beginning of the year		**229,709,388**	115,440,130
Cash and cash equivalents at the end of the year	*5*	**457,980,727**	229,709,388
Non-cash supplemental information:			
Right-of-use-asset		**11,600,982**	--
Lease liability		**5,913,460**	--

The accompanying notes (1) through (30) form an integral part of these financial statements.

Notes to the Financial Statements (For the year ended 31 December 2019)

1. General Information

HSBC Saudi Arabia ("the Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010221555 dated 27/06/1427H (corresponding to 23/07/2006G). The address of the Company's head office is as follows:

HSBC Saudi Arabia
7267 Olaya- AlMorooj Dist
Riyadh 12283-2255
Kingdom of Saudi Arabia

The main activities of the Company are to provide a full range of securities business services including investment banking advisory, debt capital market and syndicated finance advisory, project and export finance advisory, and custody and funds securities services. It also manages mutual funds and discretionary portfolios and provides brokerage services including margin lending conventional and Shariah compliant overdraft facility for customers to trade in the capital market. The Company serves a wide range of clients including but not limited to corporates, financial institutions, non-bank financial institutions and individuals.

2. Basis of Preparation

a) *Statement of compliance*

The financial statements of the Company have been prepared in accordance with 'International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

b) *Basis of measurement and presentation*

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value. The company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

Furthermore, the employee benefit obligation is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method (PUCM) and actuarial assumptions.

c) *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional and presentation currency of the Company.

d) *Critical accounting judgements, estimates and assumptions*

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions have been reviewed on an ongoing basis. Revisions to accounting estimates have been recognised in the year in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years.

The key assumptions concerning the future and other key sources of estimates at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

2. Basis of Preparation *(continued)*

i. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost using 'expected credit loss' model ("ECL") in accordance with IFRS 9. The company records an allowance for ECLs for its margin lending receivable and advisory receivables. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

ii. Useful lives and residual values of property and equipment

The management determines the estimated useful life of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that the method and years of depreciation are consistent with the expected pattern of economic benefit of the assets.

iv. Assumptions for employee benefit obligations

Employee benefits represent obligations that will be settled in the future and require assumptions to project these obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits incurred costs.

v. Deferred tax

Deferred tax is measured at the tax rates that are estimated to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. Management needs to estimate the scale for the profitability to determine the recoverability of deferred tax assets.

3. Impact of Change in Accounting Policies Due to Adoption of New Standards

IFRS 16 "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

The Company adopted IFRS 16 "Leases" which is the standard that replaces the existing guidance on leases, which was included in 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 in the Legal Form of a Lease".

Effective 1 January 2019, the Company has adopted IFRS 16, the impact of the adoption of this standard is explained below:

Before 1 January 2019, the Company followed the below accounting policy for leases in which the Company was a lessee:

Operating leases

Where the Company was a lessee, rental payments were recognised as expenses in the statement of profit or loss on a straight-line method basis over the lease contract period.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

3. Impact of Change in Accounting Policies Due to Adoption of New Standards *(continued)*

Accounting policy applicable on and after 1 January 2019:

On initial recognition at inception of the contract, the Company assesses 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 right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets' value.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company's statement of financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 into either an operating or finance lease is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations to be incurred in the future. Correspondingly, a right to use the leased asset is capitalised, 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.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first-time application of IFRS 16 to operating leases, the right to use the leased assets was measured at the amount of lease liability, using the lessee's incremental borrowing rate at the time of first-time application.

IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations. As of 31 December 2018, lease obligations are reconciled as follows to the recognized lease liabilities as of 1 January 2019.

3. Impact of Change in Accounting Policies Due to Adoption of New Standards *(continued)*

Reconciliation of Lease Liabilities

Off-balance sheet lease obligations as of 31 December 2018	12,000,000
Current leases with a lease term of 12 months or less and low-value leases	--
Net lease obligations as of 1 January 2019 (Gross without discounting)	12,000,000
Discounted Lease liabilities due to initial application of IFRS 16 as of 1 January 2019	11,600,982

LEASE LIABILITIES

Maturity Analysis – Contractual undiscounted cash flow	**2019**	2018
Less than one year	**6,000,000**	6,000,000
One to five years	**--**	6,000,000
Total undiscounted lease liabilities at 31 December	**6,000,000**	12,000,000
Discounted lease Liabilities included in the statement of financial position at 31 December	**5,913,460**	--

4. Summary of Significant Accounting Policies

The significant accounting and risk management policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the adoption of IFRS 16 as mentioned in note 3.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

Financial instruments

All financial assets and financial liabilities are initially recognized on the trade date i.e. the date which the Company becomes party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

4. Summary of Significant Accounting Policies *(continued)*

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss. Interest income from these financial assets is included in the finance income.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the company's management elects 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. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Expected credit losses (ECL)

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

For fees receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Company recognizes provision for ECL on the following financial instruments:

- Fees receivable; and
- Margin lending receivable.

The methodology applied in estimating provision for advisory income receivable have been based on judgments and assumptions using provision matrix, historical loss rates, existing market conditions as well as forward looking estimates at the end of the reporting year. For margin lending receivables, the ECL methodology applied in estimating provision for receivable against margin lending have been based on judgments and assumptions using staging criteria and consideration of the cash collaterals in case of liquidation. Furthermore, existing market conditions as well as forward looking estimates are considered in the methodology.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the terms of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company›s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company›s own equity instruments.

Financial liabilities

Other financial liabilities

Other financial liabilities (including trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Fair value measurement

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, except for share-based payment transactions that are within the scope of IFRS 2, "Share based Payment", leasing transactions that are within the scope of IAS 17 "Leases" and measurements that have some similarities to fair value but are not fair value.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 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.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

4. Summary of Significant Accounting Policies *(continued)*

Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the property and equipment. All other expenditure is recognized in the income statement when incurred.

Expenditure incurred up to the point of capitalization, until the asset is ready for the intended use, is treated as capital work in progress.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful life of individual items of property and equipment.

The estimated useful lives of the Company's property and equipment are as follows:

	Years
Leasehold Improvements	5
Furniture and Equipment	5
Motor Vehicles and software	4

At each year end, the Company assesses whether there is any indication that an asset is impaired. If such an indication exists, an estimate of the asset›s recoverable amount is made. If the recoverable amount is below the asset›s carrying amount, the asset is written down to its recoverable amount.

End of service benefits

End of service benefit costs and termination benefits

For end of service benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting year.

Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling

(if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the year in which they occur.

Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the year of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability or asset. End of service 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);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

The end of service benefits recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

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 year 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.

Going concern

The financial statements are prepared on a going concern basis, as the management is satisfied that the Company has the resources to continue business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

Revenue from contracts with customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, the Company recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company recognises revenue when the amount can be reliably measured and it is probable that future economic benefits will flow to the Company. The Company applies the following five-step approach of revenue recognition:

- Step 1: Identify the contract with the customer
- Step 2: Identify the separate performance obligations under the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

Based on the above five steps, the revenue recognition policy for the key revenue segments is as follows:

Income from advisory service

Advisory service fees are recognized based on the applicable service contract, usually on a time proportionate basis as the services are performed. Advisory services where the underlying significant act is completed or instances for which no further activities are required to be done are considered fully earned.

Asset management fee income

Asset Management fee income from mutual funds and discretionary portfolio management is recognised over the period when the service is being provided.

Brokerage income from equity swaps

Brokerage income on equity swaps is recognised on an accrual basis over the period when the service is being provided.

Brokerage income

Revenue from equity brokerage is recognized at the time of execution of orders, and is recorded net of Tadawul fees, discounts and rebates.

Income from securities services

Fees charged for providing securities services, which include custodial services, are recognised as revenue over the period when the service is being provided. Unearned revenue is deferred and recognised when earned.

Income from margin lending

Margin lending is an overdraft facility provided to customers to trade in the capital market. Interest income from margin lending is accrued daily on the outstanding balance on an effective yield basis.

Trading income

Net trading income comprises of all gains and losses from changes in the fair value of financial assets and financial liabilities measured at fair value through profit and loss, together with the related interest income, expense, dividends and gain/loss on disposal of investment.

Dividends

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

4. Summary of Significant Accounting Policies *(continued)*

Expenses

Expenses are those arising from the Company's operating activities including direct costs and are classified as operating expenses.

Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Arabian Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the statement of profit or loss.

Zakat and taxation

Current tax and zakat

The Company is subject to Zakat in accordance with the Regulations for General Authority for Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia. The Zakat charge is computed on the Zakat base and is provided by a charge to the statement of profit or loss. The provision for income tax is charged to the statement of profit or loss using tax rates enacted or substantively enacted at the end of the reporting

year, and any adjustment to tax payable in respect of previous years. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the zakat regulations. Income taxes are computed on the foreign shareholders share of net income for the year.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 year, 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.

4. Summary of Significant Accounting Policies *(continued)*

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of net income to a statutory reserve until such reserve equals 30% of the paid up capital as a minimum. This reserve is not available for distribution.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Reportable segments are disclosed separately at least where, total revenue is more than 10% of the total revenue of the Company, or absolute amount of profit or loss is more than 10% of combined reported profit of all segments (excluding loss making segments) and combined reported loss of all segments (excluding profit making segments), or total assets are more than 10% of total assets of the Company.

Offsetting

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Assets held in trust or in a fiduciary capacity

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

5. Cash and Cash Equivalents

	As at 31 December 2019	***As at 31 December 2018***
Cash at bank	**457,980,727**	229,709,388
	457,980,727	229,709,388

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

6. Property and Equipment, Net

	2019							2018
	Land and Building	*Leasehold improvement*	*Furniture*	*Equipment*	*Software*	*Motor vehicles*	*Total*	*Total*
Cost								
Balance at beginning of the year	**--**	**13,389,947**	**16,790,524**	**7,594,817**	**4,028,732**	**414,250**	**42,218,270**	40,629,070
Adjustment on transition to IFRS 16	**13,850,982**	**--**	**--**	**--**	**--**	**--**	**13,850,982**	--
Additions during the year	**--**	**--**	**--**	**1,598,459**	**9,870,821**	**--**	**11,469,280**	1,589,200
Balance at the end of year	**13,850,982**	**13,389,947**	**16,790,524**	**9,193,276**	**13,899,553**	**414,250**	**67,538,532**	42,218,270
Accumulated depreciation								
Balance at beginning of the year	**--**	**13,195,517**	**16,351,793**	**6,227,891**	**980,684**	**393,125**	**37,149,010**	35,234,258
Charge for the year	**5,831,992**	**179,742**	**182,464**	**636,230**	**4,771,817**	**21,125**	**11,623,370**	1,914,625
Balance at the end of year	**5,831,992**	**13,375,259**	**16,534,257**	**6,864,121**	**5,752,501**	**414,250**	**48,772,380**	37,148,883
Net book Value:								
Capital work in progress (6.1)	**8,018,990**	**14,688**	**256,267**	**2,329,155**	**8,147,052**	**--**	**18,766,152**	5,069,387
	--	**--**	**--**	**--**	**--**	**--**	**2,229,761**	8,473,642
Balance at 31 December	**8,018,990**	**14,688**	**256,267**	**2,329,155**	**8,147,052**	**--**	**20,995,913**	13,543,029

6.1 Capital work in progress of SAR 2.22 million pertains to an IT system under development for administration purpose.

7. Investments – Fair Value Through Profit or Loss

As at 31 December 2019, investments classified as fair value through profit or loss (FVTPL) comprise of investment in units of HSBC MSCI Tadawul 30 Saudi ETF, HSBC Sukuk Fund, HSBC Saudi Riyal Trading Fund, and HSBC GCC Equity Income Fund which are recorded at fair value.

	As at 31 December 2019	*As at 31 December 2018*
Cost	**227,683,088**	182,003,679
Change in fair value	**4,056,761**	(444,184)
	231,739,849	181,559,495

Following is the breakdown of the investments:

	As at 31 December 2019	*As at 31 December 2018*
HSBC MSCI Tadawul 30 Saudi ETF	**7,100,514**	7,263,479
HSBC Sukuk Fund	**50,336,788**	48,257,566
HSBC Saudi Riyal Murabaha Fund	**152,948,347**	35,587,250
HSBC Enhanced Murabaha Fund	**--**	70,219,800
HSBC GCC Equity Income Fund	**21,354,200**	20,231,400
	231,739,849	181,559,495

8. Advisory Income Receivable

	Notes	*As at 31 December 2019*	*As at 31 December 2018*
Gross advisory income receivable		**16,824,137**	34,110,548
Less: Allowance for expected credit losses	*8.2*	**(7,261,815)**	(5,325,345)
		9,562,322	28,785,203

These advisory income receivables are expected to be settled in short term, thus do not contain a significant financing component. As at 31 December 2019, an allowance for expected credit losses has been recorded amounting to SAR 7.26 million.

8.1 Following is the age analysis for advisory income receivable balance and the corresponding allowance for expected credit losses as at 31 December 2019.

Number of days outstanding	**Gross receivables**	**Allowance for expected credit losses**	**Net receivables**
Up to-90	**9,757,015**	**1,537,586**	**8,219,429**
91-360	**3,945,247**	**2,602,354**	**1,342,893**
361 and above	**3,121,875**	**3,121,875**	**--**
Total	**16,824,137**	**7,261,815**	**9,562,322**

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

8. Advisory Income Receivable *(continued)*

Following is the age analysis for advisory income receivables balance and the corresponding allowance for expected credit losses as at 31 December 2018.

Number of days outstanding	Gross receivables	Allowance for expected credit losses	Net receivables
Up to-90	29,340,064	745,961	28,594,103
91-360	3,457,984	3,266,884	191,100
361 and above	1,312,500	1,312,500	--
Total	34,110,548	5,325,345	28,785,203

8.2 Following is the movement of the allowance for expected credit losses.

	As at 31 December 2019	***As at 31 December 2018***
Opening balance	**5,325,345**	5,141,055
Charge during the year	**2,711,220**	184,290
Write off	**(774,750)**	--
Closing balance	**7,261,815**	5,325,345

As at 31 December 2019, the methodology applied in estimating provision for advisory income receivables have been based on judgments and assumptions using provision matrix, historical loss rates, existing market conditions as well as forward looking estimates such as macroeconomic forecasts adjusted for overlays as determined by management in applying their expert judgment.

9. Receivable Against Portfolio Management

This represents management fees receivable from customers in relation to discretionary portfolio management services provided by the Company. As at 31 December 2019, the management believes that no allowance for expected credit losses is required against these receivables.

10. Receivable Against Margin Lending

The Company extends margin financing facilities to its customers to invest in the Saudi stock exchange (Tadawul) who wish to actively trade on a leveraged basis, secured by the tradable securities. The facilities are reviewed at least on an annual basis.

	Notes	***As at 31 December 2019***	***As at 31 December 2018***
Gross receivable against margin lending		**742,408,348**	816,085,684
Less: Allowance for expected credit losses	*10.1*	**(769,733)**	(1,113,294)
		741,638,615	814,972,390

10. Receivable Against Margin Lending *(continued)*

10.1 Following is the movement of the allowance for expected credit losses.

	As at 31 December 2019	*As at 31 December 2018*
Opening balance	**1,113,294**	--
First time adoption- ECL	**--**	975,500
(Release) / Charge during the year	**(343,561)**	137,794
Closing balance	**769,733**	1,113,294

The methodology applied in estimating provision for receivable against margin lending have been based on judgments and assumptions using staging criteria and consideration of the collaterals in case of liquidation. Furthermore, existing market conditions as well as forward looking estimates such as macroeconomic forecasts are considered in the methodology.

11. Related Party Transactions

Related parties of the Company comprise of group companies including its affiliates and brokers and its shareholders. The Company and its related parties transact with each other in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

	Notes	*As at 31 December 2019*	*As at 31 December 2018*
(a) Due from related parties	*11.1*	**75,339,738**	5,256,300
Receivable from SABB	*11.2*	**10,666,937**	8,948,500
Receivable from affiliates		**86,006,675**	14,204,800
(b) Due to related parties	*11.3*	**2,323,414**	6,942,453
Payable to SABB	*11.4*	**20,365,977**	20,375,433
Payable to affiliates		**22,689,391**	27,317,886

11.1 This mainly represents receivable on account of advisory services, receivable on special commission income on deposit and net balance on intercompany transactions with SABB.

11.2 This mainly represents receivable from an HSBC entity on account of commission earned from equity swap arrangements with foreign counter parties pursuant to Capital Market Authority (CMA) circular dated 21 August 2008, as explained in Note 19 and on account of advisory services.

11.3 This mainly represents payable to SABB for Mutual fund profit sharing.

11.4 This mainly consists of payable to HSBC entities for profit sharing of advisory deals.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

10. Receivable Against Margin Lending *(continued)*

The income and expenses in respect of related parties included in the financial statements are as follows:

Transaction with	Income Statement	Notes	2019	2018
The Saudi British Bank (SABB)	Services cost under service level agreement-net	*24*	**24,209,233**	22,499,616
	Arranging/advisory income under service level agreement		**13,860,372**	9,858,250
	Special commission income on deposit		**98,596,195**	42,279,427
	Fees paid for discretionary portfolios service and mutual funds		**11,215,862**	6,024,877
	Special commission expense on short term loan facility		**7,813,099**	9,877,638
HSBC Saudi Arabia Mutual Funds* (“the Mutual Funds”)	Brokerage income, net		**610,906**	698,360
	Asset management fee from funds		**72,288,180**	69,983,351
	Unrealized/Realized gain on sale of investments – net		**6,209,561**	2,188,518
HSBC Entities	Brokerage income on equity swaps	*17*	**4,266,683**	18,016,088
	Service cost under service level agreement	*24*	**13,786,074**	6,654,674
	Arranging/advisory income under service level agreement		**9,263,383**	3,093,750
Directors remuneration and Committee members Fee			**1,670,000**	1,394,000
Key management compensation	Salaries & compensations		**6,310,000**	7,680,628
	Allowances		**3,308,138**	3,344,016
	Periodic and annual remunerations		**16,674,000**	9,680,000

The income and expenses in respect of related parties included in the financial statements are as follows:

*HSBC Saudi Arabia Mutual Funds comprises of following funds that are managed by HSBC Saudi Arabia:

HSBC Saudi Equity Fund
HSBC Saudi Equity Income Fund
HSBC Saudi Companies Equity Fund
HSBC Saudi Financial Institutions Equity Fund
HSBC Saudi Construction and Cement Companies Equity Fund
HSBC Saudi Industrial Companies Equity Fund
HSBC Saudi Freestyle Equity Fund
HSBC Sukuk Fund
HSBC GCC Equity Fund
HSBC MSCI Tadawul 30 Saudi ETF
HSBC Enhanced Murabaha Fund
HSBC China and India Equity Freestyle Fund
HSBC Global Equity Index Fund
HSBC Global Emerging Markets Equity Fund
HSBC GCC Equity Income Fund
HSBC Multi-Assets Defensive Fund
HSBC Multi-Assets Growth Fund
HSBC Multi-Assets Balanced Fund
HSBC US Dollar Murabaha Fund
HSBC Saudi Riyal Murabaha Fund
HSBC Logistics Income Fund

12. Advances, Prepayments and Other Assets

Advances, prepayments and other assets mainly include advance income tax paid by the Company to the local tax authorities and other amounts mainly related to settlement accounts. Other significant components include securities charges recoverable, prepaid housing allowances and prepaid health insurances.

13. Deferred Tax Assets

Deferred tax assets pertain to deductible temporary differences arising from impairment allowance for expected credit loss on margin lending and advisory receivables, property and equipment depreciation charge, end of service benefits charge and movements in investments valuation. Movements of the account balance accounted are as follows:

	As at 31 December 2019	*As at 31 December 2018*
Opening balance	**8,026,402**	6,696,474
Deferred tax charged to - profit or loss	**547,887**	1,307,573
- comprehensive income	**59,487**	22,355
Closing balance	**8,633,476**	8,026,402

14. Short Term Loans

	Notes	*As at 31 December 2019*	*As at 31 December 2018*
Short-term loan from SABB and other local bank (Principal amount)	*12.1*	**225,000,000**	325,000,000
Accrued special commission expense	*12.2*	**720,047**	1,215,177
		225,720,047	326,215,177

14.1 This represents short-term loan from SABB and other local commercial bank carrying commission rate at agreed commercial rate. This facility arrangement includes certain covenants, which the Company was in compliance with during the year ended 31 December 2019.

14.2 This represents accrued commission expense on short-term loans carrying a commission rate of 3 months SAIBOR plus 1.25% - 1.20% per annum.

15. Accrued Expenses and other Liabilities

	Notes	*As at 31 December 2019*	*As at 31 December 2018*
Accrued bonus		**96,018,383**	90,569,544
Other current liabilities	*15.1*	**244,200,229**	42,884,105
Lease Liability		**5,913,460**	--
		346,132,072	133,453,649

15.1 This mainly represents payable in relation to pending settlement in relation to fund management and brokerage transactions held at the period end.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

16. Zakat and Income Tax

Zakat and income tax has been calculated in accordance with the Saudi Arabian Zakat and Income Tax Regulations and charged to the statement of income. The provision for income tax is based on share of taxable income on non-Saudi shareholding of 69.40% applicable from 1 January 2019 to 30 September 2019 and 70.60% from 1 October 2019 to 31 December 2019. The provision has been recorded based on the estimated taxable profit at 20%.

The Company has filed tax and zakat declarations for the years up to and including the year ended 31 December 2018 with the General Authority of Zakat and Tax ("GAZT"). The Company has received zakat and income tax assessments for the year's 2008 to 2013 raising additional corporate tax of SAR 2,268,243, additional zakat of SAR 12,540,258 and additional withholding tax of SAR 572,491.

Further to notification from GAZT's Alternate Dispute Resolution Committee (ADRC) received in 2019, inviting companies with pending open appeals with GAZT, the Company has entered into negotiation and settlement discussions relating to the tax assessments open for the period 2008 to 2013. In view of the ongoing discussions with ADRC and based on the recommendation received from the tax advisor, management has provided SR 6m in relation to the potential settlement with ADRC.

The Company has settled the claim relating to corporate taxes and has filed an appeal against the assessment of additional zakat and withholding tax. For the year ended 31 December 2014, an additional Zakat demand amounting to SAR 6,870,081 was raised by the General Authority of Zakat and Tax (GAZT) in which the Company has filed an appeal.

Final assessments for the years 2015 to 2018 are yet to be raised by GAZT. However, if investments in funds are disallowed, it will result in significant additional zakat exposure to the Company which remains an industry wide issue. The Company has not disclosed the amount involved as it may affect the Company's position in this matter. The Company awaits further clarity from GAZT regarding this matter.

	As at 31 December 2019	***As at 31 December 2018***
Income tax payable	**41,916,822**	16,351,751
Zakat payable	**18,845,894**	12,109,780
	60,762,716	28,461,531

Movement in zakat and income tax payable is as follows:

	As at 31 December 2019	***As at 31 December 2018***
Opening balance	**28,461,531**	22,989,121
Provision for the year	**44,197,897**	22,962,256
Prior year provision, net	**5,800,000**	--
Payment made, net	**(4,931,465)**	(17,449,846)
Advance Tax utilized	**(12,765,247)**	--
Closing balance	**60,762,716**	28,461,531

17. End of Service Benefits

	As at 31 December 2019	***As at 31 December 2018***
End of service benefits	**49,186,585**	48,942,303

17. End of Service Benefits *(continued)*

The movement in provision for end of service benefits for the years ended are as follows:

Movements in the present value of end of service benefits

	As at 31 December 2019	*As at 31 December 2018*
End of service benefits at the beginning	**48,942,303**	45,183,814
Current service cost	**7,996,581**	8,244,234
Other comprehensive income (OCI) – other reserves	**(419,176)**	161,055
Transfer from SABB	**57,363**	1,310,870
Benefits paid / payables to outgoing member	**(7,390,486)**	(5,957,670)
End of service benefits at the end	**49,186,585**	48,942,303

End of service benefits costs

	As at 31 December 2019	*As at 31 December 2018*
Current service cost	**6,005,710**	6,682,650
Net interest cost	**1,990,871**	1,561,584
End of service benefits charge for the year	**7,996,581**	8,244,234
Actuarial (gain) / loss on end of service benefits	**(419,176)**	161,055
End of service benefits costs recognized in statement of comprehensive income	**7,577,405**	8,405,289

As at 31 December 2019, other reserves amounting to SR 4.8 million pertain to re-measurements to end of service benefits composed of actuarial gains or losses recognized in other comprehensive income.

Principal actuarial assumptions (in respect of the employee benefit scheme)

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Discount rate	**2.25%**	4.40 %
Expected rate of salary increase	**3.85%**	6.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

17. End of Service Benefits *(continued)*

Maturity profile of end of service benefits:

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Weighted average duration of the PBO		
Distribution of timing of benefit payments		
Year 1	**7,389,692**	7,398,782
Year 2	**6,578,421**	6,807,510
Year 3	**5,879,882**	6,135,654
Year 4	**5,401,368**	6,008,128
Year 5	**4,412,411**	5,080,890
Year 6-10	**16,163,585**	17,917,317
Year 11 and above	**9,815,894**	13,556,090

Sensitivity analysis on significant actuarial assumptions:

	As at 31 December 2019	*As at 31 December 2018*
1 Discount Rate +1%	**46,757,335**	46,565,120
2 Discount Rate -1%	**51,873,793**	51,567,081
3 Long Term Salary Increase +1%	**52,052,484**	51,742,444
4 Long Term Salary Increase -1%	**46,545,170**	46,357,833

18. Share Capital

The authorized, issued and fully paid share capital of the Company consists of 50 million shares of SAR 10 each. As at 30 September 2019, the Company is owned by the following shareholders in the proportion set out below:

	Number of shares	**% of contribution**	**As at 30 September 2019**
HSBC Asia Holdings BV	24,500,000	49.00%	245,000,000
The Saudi British Bank (‘SABB’)	25,497,000	50.994%	254,970,000
Arabian Real Estate Company Limited	1,000	0.002%	10,000
SABB Insurance Agency Limited	1,000	0.002%	10,000
SABB Real Estate	1,000	0.002%	10,000
Total	**50,000,000**	**100%**	**500,000,000**

Effective 1 October 2019, the ownership structure of the Company has been changed as follows:

	Number of shares	**% of contribution**	**As at 30 September 2019**
HSBC Asia Holdings BV	25,500,000	51.00%	255,000,000
The Saudi British Bank (‘SABB’)	24,500,000	49.00%	245,000,000
Total	**50,000,000**	**100%**	**500,000,000**

19. Equity Securities Held Under Swap Agreements

As at 31 December 2019, the Company held equity securities listed on Saudi stock exchange (Tadawul) having market value of SAR 701.45 million (2018: SAR 4.5 billion) in its name under Equity Swap Master Confirmation Agreement. These securities were held in pursuance to the Capital Market Authority ("CMA") circular dated 21 August 2008. Through this circular, CMA allowed the Authorized Persons ("AP") to enter into Swap Agreement with non-resident foreign investors to transfer the economic benefits of the shares of companies' listed on Tadawul while the Company retain the legal ownership of shares.

As at 31 December 2019, cash amounting to SAR 49.94 million (2018: SAR 248 million) was kept with SABB on behalf of the customers under the terms of this equity swap agreement.

20. Assets Held Under Fiduciary Capacity

(a) Assets under management

These represent mutual funds' and discretionary portfolio assets managed by the Company, which amount to SAR 17.65 billion (2018: SAR 10.85 billion) as at 31 December 2019.

(b) Balances held under brokerage and securities cash accounts

As at 31 December 2019, cash balances held in brokerage accounts amounting to SAR 21.39 billion (2018: SAR 5.25 billion) were kept with SABB. The company does not hold any brokerage cash deposit for customers and hence requires customers to hold cash deposits in a designated brokerage account in SABB in order to transact in the local equity market via HSBC as the broker.

21. Other Expenses

	For the year ended 31 December 2019	***For the year ended 31 December 2018***
Professional fees	**25,849,034**	21,624,989
Travel	**3,422,672**	4,262,657
Communications expenses	**1,355,426**	1,514,270
Others	**2,071,593**	1,190,628
	32,698,725	28,592,544

22. Service Costs Under Service Level Agreement

This represents allocation of service costs under separate service level agreement between the company and SABB and HSBC entities. SABB and HSBC entities, in accordance with the terms of the agreement, have agreed to provide operational services to the Company including, information technology, property and operations.

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

23. Other Income

Other income mainly comprised of dividend income, realized and unrealized gains on investments held at fair value through profit and loss.

	For the year ended 31 December 2019	*For the year ended 31 December 2018*
Dividend Income	**4,294,250**	1,273,830
Realized gain on Investments held at FVTPL	**4,045,761**	278,213
Unrealized gain on Investments held at FVTPL	**2,152,800**	588,635
Others	**686,554**	526,277
	11,179,365	2,666,955

24. Segment Information

The Company's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Company's reportable segments are as follows:

Advisory services – includes advisory services related to equity, debt and project finance offered to sovereign, financial institutions and corporates..

Brokerage services – includes domestic and international equity brokerage services acting as broker to trade in securities in local and international exchanges.

Asset management services – includes managing securities and investments belonging to customers, individual and corporates in circumstances involving the exercise of discretion.

Security services – includes custody and clearing services, providing back office services, IPOs/Right Issues Management Services, Escrow Agent Services to global custodians, fund managers and brokerage dealers.

Marginal lending – a fully secured overdraft facility provided to customers to trade in the local equities.

Other operations – includes income earned from investment activities of Company.

The Company's total operating income and expenses, and the results for the year then ended, by operating segment, are as follows:

24. Segment Information *(continued)*

For the year ended 31 December 2019	***Advisory services***	***Brokerage***	***Margin lending***	***Asset management***	***Securities services***	***Other operations***	***Total***
Revenue*	**133,876**	**90,769**	**38,036**	**106,905**	**240,836**	**15,446**	**625,868**
Expenses*	**75,769**	**91,811**	**9,462**	**78,154**	**73,916**	**-**	**329,112**

**All above stated SAR numbers are in thousands.*

For the year ended 31 December 2018	*Advisory services*	*Brokerage*	*Margin lending*	*Asset management*	*Securities services*	*Other operations*	*Total*
Revenue*	67,672	85,843	39,186	99,430	114,425	2,667	409,223
Expenses*	80,140	84,687	10,029	71,399	47,832	(30,585)	264,010

**All above stated SAR numbers are in thousands.*

25. Financial Risk Management

The Board of Directors (the Board) of the Company are responsible for the overall risk management framework and for approving the risk management strategies and principles. On behalf of the Board, the Board Risk Committee considers the adequacy and effectiveness of the policies and controls that are in place relating to risk management. The Chief Risk Officer (CRO) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits and is responsible for day to day oversight of the risk management framework. The CRO reports to the Board Risk Committee on a regular basis.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk exposure within the company principally is receivables from advisory services rendered, margin lending, cash with Banks, and Investments in HSBC Funds.

The Company manages its credit risk by monitoring credit exposures, establishing limits for transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company's risk management policies are designed to identify and set appropriate risk limits and to monitor the risks and adherence to limits on a continuous basis.

Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities, related group of counterparties, 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 credit risk indicate the relative sensitivity of company's performance to developments affecting these counterparties.

The Company seeks to mitigate its overall credit risk exposure through sound risk strategies, establish credit limits, segment diversification and ensures there are sound internal control.

Procedures for identifying and recording and monitoring all large exposures are managed as per thresholds defined by the regulator.

The company has defined large exposures as an exposure to a counterparty or group of connected counterparties that exceeds 10% of the capital base.

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

25. Financial Risk Management *(continued)*

	31 December 2019	***31 December 2018***
Cash and cash equivalent	**457,980,727**	229,709,388
Receivable against portfolio management	**3,122,021**	2,530,946
Receivable against margin lending	**741,638,615**	814,972,390
Advisory income receivables	**9,562,322**	28,785,203
Due from related parties	**86,006,675**	14,204,800
Total	**1,298,310,360**	1,090,202,727

Significant increase in credit risk

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

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

- the 12 month probability of default (PD) as at the reporting date; with
- the 12 month probability of default (PD) at the time of initial recognition of the exposure.

Credit risk grades

The Company assigns credit risk grade to its exposures at individual counterparty and portfolio level based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risks are classified using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The company collects performance and default information about its credit risk exposures separately for the margin lending portfolio and advisory receivables. The Company analyses the relationships between its historical default rates and macro-economic factors.

Definition of 'Default'

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to Company in full, or
- The borrower is past due more than 90 days on any material credit obligation to Company.

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

- Qualitative- e.g. breaches of covenant;
- Quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to Company;

Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

The Company has adopted the general approach for its margin trading portfolio and investment funds managed by the firm. For receivables portfolio without significant financing component, the company has measured the loss allowance equal to lifetime expected losses. Under the general approach, impairment shall be measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of an instrument has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Staging for margin lending is performed on portfolio taking in consideration of its product features and staging criteria to establish significant increase in credit risk (SICR) is detailed as follows:

- Stage 1 – No Breaches
- Stage 2 – Margin Call Trigger Breach
- Stage 3 – Liquidation Call Trigger Breach

PD estimates are estimates at a certain date, which are calculated, based on Vasicek model (theoretical model underpinning the Basel II IRB capital formula) used to arrive at PIT PD conditional on a state of single systematic factor. The model uses GDP growth rate of Saudi Arabia which is considered as the single risk factor (SRF) addressing systematic risk and it is assumed that it follows a normal distribution. These rating models are based on both quantitative and qualitative factors. The default rate computation is carried out at a portfolio level.

LGD is the magnitude of the likely loss if there is a default. Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties if available. LGD model considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the financial asset. However, as the Company has not observed any historical losses, an expert judgment based LGD of 5% was applied on a conservative basis for the purpose of ECL computations.

EAD represents the expected exposure in the event of a default. Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount i.e. the outstanding principal plus accrued interest as of the reporting date. Since, the lifetime maturity of the portfolio is 12 months or less, irrespective of whether an account is under Stage 1 or Stage 2, a 12 month ECL is estimated which is same as lifetime ECL.

Scenario framework, the management has exercised an expert judgment to assign scenario weights for ECL computation. Accordingly, the final weighted average ECL assigned 70%, 15% and 15% to baseline, upturn and downturn ECLs respectively. The management is of the opinion that the likelihood of upturn/downturn scenario would be in the range of 10% to 20% and thereby has considered a 15% scenario weight for each of them. The management, on an ongoing basis would evaluate the macro economic conditions and thereby revisit the scenario weights accordingly.

Collateral

Company in the ordinary course of lending activities hold collaterals as security to mitigate credit risk on marginal lending portfolio. Collaterals are mainly the equity securities traded through the Company's brokerage services under marginal lending facility agreement.

Foreign exchange rate risk

Foreign exchange rate risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liability in that currency. The Company's foreign currency transactions are primarily denominated in USD. The rate of exchange for conversion of the Saudi Riyal to the US Dollar is pegged, on the basis of which the management believes that the Company is not significantly exposed to risk of fluctuation in foreign exchange rates.

Market risk

Special commission rate risk

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in assets and liabilities, which are subject to special commission rate adjustment within a specified period. The most important source of such rate is the Company's borrowing where fluctuations in special commission rates, if any, are reflected in the results of its operations. Management monitors the change in the special commission rate and believes that the net special commission rate risk to the Company is not significant, the sensitivity of which is disclosed below:

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

25. Financial Risk Management *(continued)*

	Increase/ decrease in basis points	Sensitivity of equity			
		Sensitivity	12 months or Less	More than 12 Months	Total
Special commission income	+10	714,852	714,852	-	714,852
	-10	(714,852)	(714,852)	-	(714,852)
Special commission expense	+10	227,083	227,083	-	227,083
	-10	(227,083)	(227,083)	-	(227,083)

Furthermore, there are investments in mutual funds where underlying assets are debt instruments and income from which are subject to the special commission rate risk defined above. Therefore, the net asset value of these mutual funds are also subject to fluctuations in special commission rates. Since these mutual funds' investments are highly liquid due to its open ended nature, management is able to minimise the risk while monitoring the net asset value changes due to fluctuations in special commission rates.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. And as US Dollars is pegged with Saudi Riyals; therefore, Company does not have any currency risk in these transactions.

Equity price risk

Equity price risk refers to the risk of decrease in fair values of equity securities held by the Company. Currently the Company does not have any investments in equity securities, however, there are investments in mutual funds where underlying assets are equity securities. The net asset value of these mutual funds are subject to equity price risk. Since these mutual funds' investments are highly liquid due to its open ended nature, management is able to minimize the risk while monitoring the net asset value changes due to fluctuations in equity price indices.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can arise from market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management monitors the maturity profile of the Company›s assets and liabilities based on the remaining year at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits and long-term loans are contractually payable on a current basis. The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligation. The contractual maturities of the liabilities have been determined based on the remaining year at the statement of financial position date to the contractual maturity date and do not take account of the effective expected maturities.

31 December 2019	**Within 3 months**	**3 to 12 months**	**No fixed maturity**	**Total**
Assets				
Cash and cash equivalents	457,980,727	-	-	**457,980,727**
Investments - fair value through profit or loss	-	-	231,739,849	**231,739,849**
Advisory income receivable	9,562,322	-	-	**9,562,322**
Receivable against portfolio management	3,122,021	-	-	**3,122,021**
Receivable against margin lending	-	741,638,615	-	**741,638,615**
Due from related parties	86,006,675	-	-	**86,006,675**
Total	**556,671,745**	**741,638,615**	**231,739,849**	**1,530,050,209**
Liabilities and Shareholders' equity				
Due to related parties	22,689,391	-	-	**22,689,391**
Short term loans	225,720,047	-	-	**225,720,047**
Accrued expenses and other liabilities	278,668,935	67,463,137		-	**346,132,072**
Total	**527,078,373**	**67,463,137**	-	**594,541,510**
Maturity gap	29,593,372	674,175,478	231,739,849	**886,322,113**
Cumulative maturity gap	29,593,372	703,768,850	935,508,699	

31 December 2018	Within 3 months	3 to 12 months	No fixed maturity	Total
Assets				
Cash and cash equivalents	229,709,388	-	-	229,709,388
Investments - fair value through profit or loss	-	-	181,559,495	181,559,495
Advisory income receivable	28,785,203	-	-	28,785,203
Receivable against portfolio management	2,530,946	-	-	2,530,946
Receivable against margin lending	-	814,972,390	-	814,972,390
Due from related parties	14,204,800	-	-	14,204,800
Total	275,230,337	814,972,390	181,559,495	1,271,762,222
Liabilities and Shareholders' equity				
Due to related parties	27,317,886	-	-	27,317,886
Short term loans	326,215,177	-	-	326,215,177
Accrued expenses and other liabilities	68,700,000	64,246,006	-	132,946,006
Total	422,233,063	64,246,006	-	486,479,069
Maturity gap	(147,002,726)	750,726,384	181,559,495	785,283,153
Cumulative maturity gap	(147,002,726)	603,723,658	785,283,153	

Notes to the Financial Statements (For the year ended 31 December 2019) *(continued)*

26. Fair Value Of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market are accessible by the Company.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's financial assets measured and recognised at fair value:

		Fair value			
As at 31 December 2019	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Investments - FVTPL	**231,739,849**	**--**	**231,739,849**	**--**	**231,739,849**

26. Fair Value Of Financial Instruments *(continued)*

		Fair value			
As at 31 December 2019	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Investments - FVTPL	181,559,495	--	111,339,695	70,219,800	181,559,495

As at the reporting year, the carrying values of the financial assets such as advisory income receivables, receivable against portfolio management, receivable against margin lending, due from related parties and other assets approximates their fair values. Financial liabilities such as due to related parties, short term loans, accrued expenses and other liabilities approximate fair values, being short-term in nature. Investments - fair value through profit or loss is categorized as level 2 investment as the valuation of this investment is derived from the net asset value of the fund.

27. Regulatory Requirements for Capital and Capital Adequacy

The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and retained earnings) and Tier 2 capital as per Article 4 & 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.

The Company manages the capital base in accordance with Pillar 1 of the Prudential Rules. The capital base should not be less than minimum capital requirement and Company's internal capital adequacy assessment process.

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.

	As at 31 December 2019	*As at 31 December 2018*
Tier 1 Capital	**897,603**	772,675
Minimum Capital Requirement:		
Market Risk	**14,452**	3,137
Credit Risk	**267,329**	294,749
Operational Risk	**82,278**	66,003
Total Minimum Capital Required	**364,059**	363,889
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**2.47**	2.12
Tier 1 Capital Ratio (times)	**2.47**	2.12
Surplus in Capital	**533,544**	408,786

28. Prospective Changes in the International Financial Reporting Standards

The Company has chosen not to early adopt the following new standards and amendments to IFRS which have been issued but not yet effective for the Company's accounting years beginning on January 1, 2019.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Sale or Contribution of Assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Company does not anticipate that these will have a significant impact on the Company's financial statements.

29. Subsequent Events

There were no subsequent events after the statement of financial position date which require adjustments to/or disclosure in the financial statements.

30. Board of Directors' Approval

The financial statements have been approved by the Board of Directors on 6 Rajab 1441H corresponding to 1 March 2020.