DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2018
together with the
INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 8748500
Fax +966 11 8748600
Internet www.kpmg.com/sa

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

Independent auditors' report

To the shareholders of Deutsche Securities Saudi Arabia

Opinion

We have audited the financial statements of Deutsche Securities Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the 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 2018, and its financial performance and its cash flows for the year then ended in accordance with the 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").

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 *Auditors' responsibilities for the audit of the financial statements* section of this 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 IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies, 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.

Auditors' 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 auditors' 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.

Independent auditors' report

To the shareholders of Deutsche Securities Saudi Arabia (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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 auditors' 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 auditors' 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 Deutsche Securities Saudi Arabia ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

Kholoud A. Mousa Altambakti
License No. 421

20 Rajab 1440H
Corresponding to: 27 March 2019

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	31 December 2018	31 December 2017	1 January 2017
ASSETS				
Current assets				
Cash and cash equivalents	6	**429,161**	534,393	521,526
Due from related parties	16	**61,733**	59,806	14,515
Accounts receivable		**8,468**	--	--
Prepayments and other current assets		**2,602**	2,427	2,315
Total current assets		**501,964**	596,626	538,356
Non-current assets				
Property and equipment, net	7	**4,242**	5,109	5,500
Deferred tax asset	13	**14,200**	15,854	4,237
Total non-current assets		**18,442**	20,963	9,737
TOTAL ASSETS		**520,406**	617,589	548,093
LIABILITIES AND EQUITY				
Current liabilities				
Due to related parties	16	**64,075**	117,572	20,490
Accrued expenses and other current liabilities	8	**19,287**	18,152	18,542
Taxes payable	13	**4,215**	14,267	14,267
Total current liabilities		**87,577**	149,991	53,299
Non-current liabilities				
Employees' end of service benefits liability	9	**5,359**	7,243	5,939
Total non-current liabilities		**5,359**	7,243	5,939
TOTAL LIABILITIES		**92,936**	157,234	59,238
Shareholders' equity				
Share capital	10	**532,235**	532,235	532,235
Statutory reserve	11	**6,264**	6,264	6,264
Actuarial losses on employees' end of service benefits liability		**(547)**	(613)	(42)
Accumulated losses		**(110,482)**	(77,531)	(49,602)
Total shareholders' equity		**427,470**	460,355	488,855
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**520,406**	617,589	548,093

The accompanying notes 1 to 21 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 14 March 2019 and have been signed on its behalf by:

Tamim Jabr
Chief Executive Officer

Awais Omar
Chief Financial Officer

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	**2018**	2017
Fee income	*16*	**17,756**	14,605
Brokerage income, net		**3,603**	3,729
Service fee, net	*16*	**(452)**	12,627
Exchange (loss) / income		**(550)**	617
Operating income		**20,357**	31,578
Operating expenses	*12*	**(61,093)**	(78,513)
Net operating loss		**(40,736)**	(46,935)
Special commission income	*16*	**9,423**	7,530
Net loss before tax		**(31,313)**	(39,405)
Income tax			
- Deferred	*13*	**(1,638)**	11,476
- Current	*13*	**--**	--
Net loss for the year		**(32,951)**	(27,929)

The accompanying notes 1 to 21 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 14 March 2019 and have been signed on its behalf by:

Tamim Jabr
Chief Executive Officer

Awais Omar
Chief Financial Officer

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	**2018**	2017
Net loss for the year		**(32,951)**	(27,929)
Other comprehensive income			
Item that cannot be reclassified to statement of income			
Re-measurement of employees' end of service benefit liability, net of tax	*9, 13*	**66**	(571)
Other comprehensive income / (loss) for the year		**66**	(571)
Total comprehensive loss for the year		**(32,885)**	(28,500)

The accompanying notes 1 to 21 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 14 March 2019 and have been signed on its behalf by:

Tamim Jabr
Chief Executive Officer

Awais Omar
Chief Financial Officer

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	SHAREHOLDERS' EQUITY				
	Share capital	**Statutory reserve**	**Actuarial losses on employees' end of service benefits liability**	**Accumulated losses**	**Total**
Balance as at 1 January 2017	532,235	6,264	(42)	(49,602)	488,855
Net loss for the year	--	--	--	(27,929)	(27,929)
Other comprehensive loss	--	--	(571)	--	(571)
Total comprehensive loss	**--**	**--**	**(571)**	**(27,929)**	**(28,500)**
Balance at 31 December 2017	**532,235**	**6,264**	**(613)**	**(77,531)**	**460,355**
Balance at 1 January 2018	**532,235**	**6,264**	**(613)**	**(77,531)**	**460,355**
Net loss for the year	--	--	--	(32,951)	**(32,951)**
Other comprehensive income	--	--	66	--	**66**
Total comprehensive income /(loss)	**--**	**--**	**66**	**(32,951)**	**(32,885)**
Balance at 31 December 2018	**532,235**	**6,264**	**(547)**	**(110,482)**	**427,470**

The accompanying notes 1 to 21 form an integral part of these financial statements.

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	2018	2017
Cash flows from operating activities			
Net loss before tax		**(31,313)**	(39,405)
Adjustments to reconcile net loss before tax to net cash from operating activities			
Depreciation	7	**1,281**	1,531
Provision for employees' end of service benefits	9	**908**	1,143
		(29,124)	(36,731)
Net increase in operating assets			
Due from related parties		**(1,927)**	(45,291)
Accounts receivable		**(8,468)**	--
Prepayments and other current assets		**(175)**	(112)
Net increase / (decrease) in operating liabilities			
Due to related parties		**(53,497)**	97,081
Accrued expenses and other current liabilities		**1,135**	(390)
		(92,056)	14,557
Employees' end of service benefits paid		**(2,710)**	(550)
Income tax paid		**(10,052)**	-
Net cash (used in) / generated by operating activities		**(104,818)**	14,007
Cash flows from an investing activity			
Purchase of property and equipment	7	**(414)**	(1,140)
Net cash used in investing activities		**(414)**	(1,140)
Net (decrease) / increase in cash and cash equivalents		**(105,232)**	12,867
Cash and cash equivalents at the beginning of the year		**534,393**	521,526
Cash and cash equivalents at the end of year	6	**429,161**	534,393
Non-cash transactions			
Employees' end of service benefits liability			
Transfer of liability between subsidiaries	9	**448**	--

The accompanying notes 1 to 21 form an integral part of these financial statements.

1. ORGANISATION AND ITS ACTIVITIES

Deutsche Securities Saudi Arabia ("the Company") is a Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration No. 1010239773 dated 24/10/1428H (corresponding to 05/11/2008G). The Company has received commencement of business license from the Capital Market Authority ("CMA") on 12 January 2008. During the year, the legal structure of the company changed from a Limited Liability Company to a Closed Joint stock company (CJSC).

The registered address of the Company is as follows:

Deutsche Securities Saudi Arabia
Floor 17, Al Faisaliah Tower
Olaya District
P.O. Box 301809, Riyadh 11372
Kingdom of Saudi Arabia

The objective of the Company is to provide a full range of investment banking services including arranging and providing advice, dealing in principal and agent capacity, to manage investment funds in local and international stock markets.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements 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 Saudi Organisation for Certified Public Accountants ("SOCPA") (hereinafter referred to as "IFRS as endorsed in KSA").

For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA (hereinafter referred to as "SOCPA GAAP"). The financial statements for the year ended 31 December 2018 are the first financial statements of the Company prepared in accordance with IFRS as endorsed in KSA and IFRS 1 *'First-time Adoption of International Financial Reporting Standards'* has been applied. The date of transition to IFRS as endorsed in KSA is 1 January 2017.

An explanation of how the transition to IFRS as endorsed in KSA has affected the reported financial position, financial performance and cash flows of the Company is provided in note 5.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis using the accrual basis of accounting and the going concern concept. Employees' end of service benefits liability is measured at present value of future obligations using the Projected Unit Credit Method.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Critical accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Significant areas where management has used estimates, assumption and exercised judgments are as follows:

- Employees' end of service benefits liability – notes 3(f) and 9
- Valuation of deferred tax assets – notes 3(g) and 13

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the adoption of the new standard and other amendments to existing standards mentioned in note 3(a). Where policies are applicable only from or before 1 January 2018, those policies have been particularly specified.

(a) Changes in accounting policies

IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 *'Financial Instruments'* as issued by International Accounting Standards Board (IASB) with a date of transition of 1 January 2018. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Effective 1 January 2018, the Company has adopted IFRS 9 Financial Instruments and the impact of the adoption of this standard is explained below.

Classification and measurement of financial instruments
The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA GAAP and IFRS 9 as at 1 January 2018 are as follows:

Financial assets	**Classification under SOCPA GAAP**	**Classification under IFRS 9**	**Carrying amount under SOCPA GAAP**	**Carrying amount under IFRS 9**
Cash and cash equivalents	HTM investments	Amortised cost	534,393	534,393
Due from related parties	HTM investments	Amortised cost	59,806	59,806
			594,199	**594,199**

There were no changes to the classification and measurement of financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policies (continued)

IFRS 9 – Financial Instruments (continued)

Reconciliation of carrying amounts under SOCPA GAAP to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under SOCPA GAAP to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	SOCPA GAAP carrying amount as at 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount as at 1 January 2018
Amortised cost				
Cash and cash equivalents	534,393	--	--	534,393
Due from related parties	59,806	--	--	59,806

Financial assets at amortised cost are subject to impairment assessment based on expected credit loss model per IFRS 9. The Company has assessed ECL as at 1 January 2018 and concluded that no ECL provision was required since the Company's financial assets at amortised cost are generally short-term in nature and held with counterparties with low credit risk.

(b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand and short term highly liquid deposits with an original maturity of three months or less, which are available to the Company without any restrictions.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Accounts receivables

Account receivables mainly includes trade settlement related balances. Accounts receivables are stated at original invoice amount less provision for expected credit losses, if any, made for amounts, which in the opinion of the management may not be received. Bad debts are written off when identified.

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (continued)

Subsequent expenditure are included in the asset's carrying amount or recognised 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 of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the statement of income.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In case of reversal of impairment loss, impairment loss is recognized in statement of income to the extent that what the depreciated historical cost would have been if the impairment had not been recognised.

The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	5 years or lease period whichever is shorter
Furniture and fixture	5-10 years
Computer and office equipment	3-5 years

(e) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

(f) Employees' end of service benefits liability

The liability for employees' end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuation being conducted at end of annual reporting periods. The related liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

Current service cost and the commission expense arising on the end of service benefit liability are recorded in statement of income. Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in statement of other comprehensive income.

The discount rate used is determined based on the Company's external actuary's rate model which is based on US corporate bonds given that Saudi Arabian Riyal currency is currently pegged to US dollar.

(g) Income tax

Current tax
Income tax expense comprises current and deferred tax, which is recognised in the statement of income and is computed in accordance with income tax regulations as applicable in the Kingdom of Saudi Arabia.

Current tax is expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of asset 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 temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liability is recognized for all temporary differences. Deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

(h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made of the amount of obligation.

(i) Statutory reserve

In accordance with Company's by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income every year to the statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholders.

(j) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses in respect of non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Revenue from contracts with customers

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services. 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 each revenue stream is as follows:

- Fee and brokerage income are recognised on an accrual basis when the services have been provided.
- Service fees are recognised on an accrual basis based on applicable service contracts.

(l) Expenses

Expenses are measured and recognised as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

(m) Foreign currency

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into SAR at the exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in the statement of income as net foreign exchange gains or losses, except for those arising on financial instruments at FVTIS, which are recognised as a component of net gain from financial instruments at FVTIS.

(n) 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.

(o) Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments

Policy applicable from 1 January 2018

Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement ("FVTIS"), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTIS are expensed in the statement of income.

Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTIS.

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTIS:

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

Financial asset at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTIS.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and commission on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments (continued)

Financial asset at FVTIS
All other financial assets are classified as measured at FVTIS.

Business model assessment
The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular commission rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and commission
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and commission, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of commission rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments (continued)

Assessment whether contractual cash flows are solely payments of principal and commission (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective commission method. The amortised cost is reduced by impairment losses. Commission income, foreign exchange gains and losses and impairment are recognised in statement of income. Any gain or loss on derecognition is recognised in statement of income.
Financial assets at FVTIS	These assets are subsequently measured at fair value. Net gains and losses, including any commission or dividend income, are recognised in statement of income.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Impairment of financial assets
The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities
The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTIS.

De-recognition
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Policy applicable before 1 January 2018

Recognition and initial measurement
Investments held for trading are recognised initially at cost on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the investment. Upon initial recognition, attributable transaction costs are recognised in the statement of income when incurred.

All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial Instruments (continued)

Classification and measurement of financial assets

Held to maturity ("HTM") investments
Investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as HTM investments. HTM investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective commission method. Any gain or loss on such investments is recognised in the statement of income when the investment is derecognised or impaired.

Impairment of financial assets

Impairment of held HTM investments
Impairment losses on held to maturity investments are measured as the difference between the carrying cost and the present value of estimated future cash flows. Impairment losses are recognised in the statement of income as impairment loss on HTM investments. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event resulting in recognition of impairment loss, then the previously recognised impairment loss is reversed through statement of income.

Financial liabilities
All non-derivative financial liabilities comprising of due to related parties and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective commission method.

De-recognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in the statement of income.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after 1 January 2019 and earlier application is permitted; however, the Company has not early applied these new amendments and standards in preparing these financial statements.

The following is a brief summary of the new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2019:

a) 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.

(Saudi Arabian Riyals in '000)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. In the modified retrospective approach, the comparable figures for the previous year are not adjusted. Upon initial application, Company has also decided to recognise right-of-use asset corresponding to the lease liabilities with adjustment of prepaid and accrued rent. This will, therefore, not have any impact on equity as of the effective date. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company plans to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, or lease contracts for which the underlying asset is of low value.

During 2018, the Company has performed a detailed impact assessment of IFRS 16. In summary, the estimated impact of IFRS 16 adoption is expected to be as follows:

Estimated Impact on statement of financial position as at 1 January 2019:

Assets	
Property and equipment, net – right of use assets	6,818
Liabilities	
Lease liability	6,818

Impact on statement of income: NIL

Due to the adoption of IFRS 16, the Company's net income will deteriorate in initial years due to front loading of commission expense. However, the net income will improve in later years as the commission expense reduces due to reduction in lease liability. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

b) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after 1 January 2019. The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, Company now uses updated actuarial assumptions to determine its current service cost and net commission for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The impact is not considered to be material to the Company.

c) The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- IFRIC 23 Uncertainty over Tax Treatments
- Annual improvements to IFRS Standards 2015-2017 Cycle – various standards
- Amendments to References to Conceptual Framework in IFRS Standards

5. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS as endorsed in KSA.

The basis of preparation and summary of significant accounting policies set out in note 2 and note 3, respectively, have been applied consistently in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of an opening statement of financial position as at 1 January 2017 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with SOCPA GAAP. An explanation of how the transition from SOCPA GAAP to IFRS as endorsed in KSA has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables:

Reconciliations of the primary statements
The reconciliations of the statements of financial position and equity as at 31 December 2017 and 1 January 2017 and reconciliation of statement of income and statement of other comprehensive income for the year ended 31 December 2017, along with the description of the changes are detailed in note 5.1 to 5.4 below.

(Saudi Arabian Riyals in '000)

5. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

5.1 Reconciliation of the Company's statement of financial position

		31 December 2017			
	Notes	**SOCPA GAAP**	**Re-classification**	**Re-measurement**	**IFRS**
ASSETS					
Current assets					
Cash and cash equivalents		534,393	--	--	534,393
Due from related parties		59,806	--	--	59,806
Prepayments and other current assets		2,427	--	--	2,427
Total current assets		**596,626**	**--**	**--**	**596,626**
Non-current assets					
Property and equipment, net		5,109	--	--	5,109
Deferred tax asset	*5.1(a)*	15,936	--	(82)	15,854
Total non-current assets		**21,045**	**--**	**(82)**	**20,963**
TOTAL ASSETS		**617,671**	**--**	**(82)**	**617,589**
LIABILITIES AND EQUITY					
Current liabilities					
Due to related parties		117,572	--	--	117,572
Accrued expenses and other current liabilities		18,152	--	--	18,152
Taxes payable		14,267	--	--	14,267
Total current liabilities		**149,991**	**--**	**--**	**149,991**
Non-current liabilities					
Employees' end of service benefits		7,243	--	--	7,243
Total non-current liabilities		**7,243**	**--**	**--**	**7,243**
TOTAL LIABILITIES		**157,234**	**--**	**--**	**157,234**
Shareholders' equity					
Share capital		532,235	--	--	532,235
Statutory reserve		6,264	--	--	6,264
Actuarial losses on employees' end of service benefits liability	*5.1(a)*	--	--	(753)	(753)
Accumulated losses	*5.1(a)*	(78,062)	--	671	(77,391)
Total shareholders' equity		**460,437**	**--**	**(82)**	**460,355**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**617,671**	**--**	**(82)**	**617,589**

(Saudi Arabian Riyals in '000)

5. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

5.1 Reconciliation of Company's statement of financial position (continued)

		1 January 2017			
	Notes	**SOCPA GAAP**	**Re-classification**	**Re-measurement**	**IFRS**
ASSETS					
Current assets					
Cash and cash equivalents		521,526	--	--	521,526
Due from related parties		14,515	--	--	14,515
Prepayments and other current assets		2,315	--	--	2,315
Total current assets		**538,356**	**--**	**--**	**538,356**
Non-current assets					
Property and equipment, net		5,500	--	--	5,500
Deferred tax asset	*5.1(a)*	4,319	--	(82)	4,237
Total non-current assets		**9,819**	**--**	**(82)**	**9,737**
TOTAL ASSETS		**548,175**	**--**	**(82)**	**548,093**
LIABILITIES AND EQUITY					
Current liabilities					
Due to related parties		20,490	--	--	20,490
Accrued expenses and other current liabilities		18,542	--	--	18,542
Taxes payable		14,267	--	--	14,267
Total current liabilities		**53,299**	**--**	**--**	**53,299**
Non-current liabilities					
Employees' end of service benefits	*5.1(a)*	6,349	--	(410)	5,939
Total non-current liabilities		**6,349**	**--**	**(410)**	**5,939**
TOTAL LIABILITIES		**59,648**	**--**	**(410)**	**59,238**
Shareholders' equity					
Share capital		532,235	--	--	532,235
Statutory reserve		6,264	--	--	6,264
Actuarial losses on end of service benefits		--	--	(42)	(42)
Accumulated losses		(49,972)	--	370	(49,602)
Total shareholders' equity		**488,527**	**--**	**328**	**488,855**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**548,175**	**--**	**(82)**	**548,093**

(a) In accordance with IAS 19 *'Employee benefits'*, Employees' end of service benefits are classified as a defined benefit plan and liability is determined using the projected unit method based on actuarial valuation performed at the end of the reporting period. Under SOCPA GAAP, the Company's liability was calculated as current value of the vested benefits to which the employee is entitled, should the employee leave at the reporting date. As a result of applying the IFRS requirement described above, an additional liability and its related deferred tax impact was recognised against accumulated losses as at 1 January 2017.

(Saudi Arabian Riyals in '000)

5. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

5.2 Reconciliation of statement of income

		For the year ended 31 December 2017		
	Notes	**SOCPA GAAP**	**Effect of transition to IFRS**	**IFRS**
Fee income		14,605	--	14,605
Brokerage income, net		3,729	--	3,729
Service fee		12,627	--	12,627
Exchange income		617	--	617
Operating income		**31,578**	--	**31,578**
Operating expenses	*5.1(a)*	(78,814)	301	(78,513)
Net operating loss		**(47,236)**	**301**	**(46,935)**
Special commission income		7,530	--	7,530
Net loss before tax		**(39,706)**	**301**	**(39,405)**
Income tax				
- Deferred	*5.1(a)*	**11,616**	(140)	**11,476**
- Current		--	--	--
Net loss for the year		**(28,090)**	**161**	**(27,929)**

5.3 Reconciliation of statement of other comprehensive income

		For the year ended 31 December 2017		
	Notes	**SOCPA GAAP**	**Effect of ransition to IFRS**	**IFRS**
Items that cannot be reclassified to statement of income				
Re-measurement of employees' end of service benefits liability, net of tax	*5.3(a)*	--	(571)	(571)
Other comprehensive loss for the year		--	(571)	(571)

(a) In accordance with IAS 19, '*Employee benefits*', the Group has recognised the actuarial losses on re-measurement of provision for employees' end of service benefits in the statement of other comprehensive income.

5.4 Reconciliation of statement of cash flows

The Company's operating, investing and financing cash flows reported under SOCPA GAAP did not significantly differ from IFRS as endorsed in KSA.

(Saudi Arabian Riyals in '000)

5. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

5.5 Exemption applied

IFRS 1 *'First-time Adoption of International Financial Reporting Standards'* allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Company has applied the following exemption:

- The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which did not result in any adjustment to the amounts previously recognised in the financial statements as disclosed below.

  As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 were recognised in the opening retained earnings (1 January 2018) and other reserves of current period, if applicable. Accordingly, the information presented in comparative periods reflects the requirements of SOCPA GAAP and therefore is not comparable to the information presented under the requirements of IFRS 9 for the year ended 31 December 2018. The assessment of business model has been made on the basis of facts and circumstances that existed at the date of transition.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period only.

6. CASH AND CASH EQUIVALENTS

	Note	**31 December 2018**	31 December 2017	1 January 2017
Time deposits	*6.1*	**300,000**	450,000	450,000
Cash at bank – current accounts		**129,161**	84,393	71,526
		429,161	534,393	521,526

6.1 Time deposits represent two deposit deals placed with Deutsche Bank AG – Riyadh Branch carrying special commission rate ranging from 2.27% to 2.64% (2017: 1.55% - 1.71%) with the maturity ranging from 3 January 2019 to 4 February 2019 (2017: 3 January 2018 to 4 March 2018).

(Saudi Arabian Riyals in '000)

7. PROPERTY AND EQUIPMENT, NET

	Leasehold improvement	Furniture and Fixtures	Computer and Office Equipment	Total
Cost				
At 1 January 2017	10,530	4,234	5,720	20,484
Additions during the year	301	--	839	1,140
At 31 December 2017	10,831	4,234	6,559	21,624
Additions during the year	14	--	400	414
At 31 December 2018	**10,845**	**4,234**	**6,959**	**22,038**
Accumulated depreciation				
At 1 January 2017	6,612	3,192	5,180	14,984
Charge for the year	622	280	629	1,531
At 31 December 2017	7,234	3,472	5,809	16,515
Charge for the year	623	49	609	1,281
At 31 December 2018	**7,857**	**3,521**	**6,418**	**17,796**
Net book value as at				
31 December 2018	**2,988**	**713**	**541**	**4,242**
31 December 2017	3,597	762	750	5,109
1 January 2017	3,918	1,042	540	5,500

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	**31 December 2018**	31 December 2017	1 January 2017
Accrued expenses		**11,417**	10,784	10,304
Accrual for bonus		**6,415**	7,071	3,074
Employee share option plan		**--**	--	1,399
Other current liabilities	8(a)	**1,455**	297	3,765
		19,287	18,152	18,542

a) Other current liabilities include repairs and maintenance and automobile rentals.

(Saudi Arabian Riyals in '000)

9. EMPLOYEES' END OF SERVICE BENEFITS LIABILITY

The Company operates an end of service benefit plan for its staff based on the prevailing Saudi Arabian Labor Law.

The movement in provision for employees' end of service benefits are as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	**7,243**	5,939	4,147
Current service cost	**1,104**	930	1,045
Special commission cost	**252**	213	148
Transfer of liability*	**(448)**	-	390
Amount recognised in statement of income	**908**	1,143	1,583
Re-measurement (gains) / losses recognised in other comprehensive income	**(82)**	711	282
Benefits paid during the year	**(2,710)**	(550)	(73)
Balance at the end of the year	**5,359**	7,243	5,939

** Transfer of liability pertains to movement of employees from the Company to another entity within the Deutsche Bank Group.*

9.1 Re-measurement (gains) / losses recognised in other comprehensive income for the year is as follows:

	31 December 2018	31 December 2017	1 January 2017
Effect of change in financial assumptions	**255**	(266)	(1)
Effect of experience adjustments	**(337)**	977	283
Re-measurement (gains) / losses recognised in other comprehensive income	**(82)**	711	282

9.2 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 December 2018	31 December 2017	1 January 2017
Key actuarial assumptions			
Discount rate use	**4.2%**	3.4%	3.5%
Expected annual salary increment	**2.0%**	2.0%	0.0%

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

(Saudi Arabian Riyals in '000)

9. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

9.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation are shown below:

	31 December 2018		31 December 2017		1 January 2017	
	Increase	**Decrease**	Increase	Decrease	Increase	Decrease
Discount rate, *(0.5% movement)*	(195)	207	(252)	267	(191)	197
Expected annual salary increment, *(0.5% movement)*	184	(183)	272	(256)	209	(198)

The maturity profile of the defined benefit obligation is as follows:

	31 December 2018	31 December 2017	1 January 2017
Weighted average duration of the defined benefit obligation in years	**7.88**	7.54	6.94
Expected distribution of timing of benefit payments:			
Year 1	**556**	710	635
Year 2	**639**	778	703
Year 3	**685**	828	749
Year 4	**730**	869	779
Year 5	**722**	910	802
Year 6-10	**4,229**	6,008	5,146

10. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 53.2 million shares of SAR 10 each.

	Number of shares	**% of contribution**	**Amount SAR**
Deutsche Bank (AG)	50,563	95%	505,623
DB Capital Markets (Deutschland) Gmbh	2,661	5%	26,612
	53,224	**100%**	**532,235**

11. STATUTORY RESERVE

In accordance with Company's by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholders.

(Saudi Arabian Riyals in '000)

12. OPERATING EXPENSES

	31 December 2018	31 December 2017
Salaries and employee-related expenses	**38,832**	40,009
Charges from Deutsche Bank Group for support services (Note 16)	**4,283**	18,499
Travel expenses	**2,157**	2,109
IT expenses	**5,456**	6,476
Legal and consulting expenses	**2,511**	2,041
Communication expenses	**1,143**	938
Depreciation (note 7)	**1,281**	1,531
Other expenses	**5,430**	6,910
	61,093	78,513

Others expenses include repairs and maintenance, payrol service costs and automobile rentals.

13. TAXATION

Income tax charge for the year has been calculated based on adjusted net income of the Company attributable to Non-Saudi shareholders at the rate of 20% per annum.

a) ***Movement in taxes payable***

	31 December 2018	31 December 2017	1 January 2017
At beginning of the year	**14,267**	14,267	(912)
Income tax provision for the year	**-**	-	15,179
Payments made during the year	**(10,052)**	-	-
At end of the year	**4,215**	14,267	14,267

For the years ended 31 December 2018 and 2017, there had been no current income tax recognised as the Company have incurred losses.

b) ***Recognized deferred tax assets***

Recognized deferred tax assets as at 31 December are attributable to the following:

	31 December 2018	31 December 2017	1 January 2017
Property and equipment, net	**1,314**	1,117	475
Employees' end of service benefits	**990**	1,367	1,188
Carry forward losses	**11,896**	13,370	2,574
Deferred tax assets	**14,200**	15,854	4,237

Whilst the Company has been continuously incurring losses, management believes based on its business plan as reviewed and approved by the Board of Directors that there will be enough taxable profit in the subsequent years from which these deferred tax assets will be utilized. However, there are unrecognized deferred tax assets amounting to SR 6.6 million as the Company believes that it may not be utilised through taxable profits in subsequent years based on current estimate.

(Saudi Arabian Riyals in '000)

13. TAXATION (CONTINUED)

The movement in deferred tax assets during the year is summarized as under:

	31 December 2018	31 December 2017	1 January 2017
At beginning of the year	**15,854**	4,237	4,468
Deferred tax (expense) / benefit recognised in the statement of income for the year	**(1,638)**	11,476	(175)
Deferred tax (expense) / benefit recognised related to the re-measurement of employees' end of service benefits for the year	**(16)**	141	(56)
At the end of the year	**14,200**	15,854	4,237

c) *Status of income tax assessments*

The Company has filed its income tax returns up to the year ended 31 December 2016 with the General Authority for Zakat and Tax ("GAZT"). No final assessments have been raised to date although further information has been requested for years 2007 to 2013 by GAZT and which has been provided by the Company.

During 2015, the Company received initial assessment of income tax from GAZT for the years 2007 to 2013 that demanded additional tax amounting to SAR 50.7 million. The additional demand arose mainly due to the disallowance by GAZT of certain expenses from the tax base of the Company. Management at the time was of the view that the claim by GAZT is not justified and therefore appealed. However, the Company on a prudent basis and based on best estimate of the probable payout at the time provided SAR 20.7 million pertaining to the tax years 2007 to 2013 (including SAR 7.6 million of late penalty charges).

During the current year, the Company reached an agreement with GAZT to settle the tax assessments for years 2007 to 2013 by paying SAR 17.82 million (inclusive of late penalty charge). To date, the Company has not received any further assessments from GAZT for years 2014 to 2017 and awaits further clarity on this matter.

14. ASSETS HELD IN FIDUCIARY CAPACITY

As at 31 December 2018 assets held under fiduciary capacity amounted to SAR 43 million (2017: SAR 35 million) kept with a Deutsche Bank branches. These amounts were kept with the Company by its customers for the purpose of investment in the local equity market.

As at 31 December 2018, the Company held equity securities with a market value of SAR 117 million (2017: SAR 720 million) in its name under Swap Agreement. These securities were held pursuant to Capital Market Authority (CMA) circular dated 21 August 2009. Through this circular, CMA allowed the Authorized Persons ("AP") to enter into Swap Agreements with non-resident foreign investors to transfer the economic benefits of the listed securities on Tadawul while the AP retains the legal ownership of shares.

(Saudi Arabian Riyals in '000)

15. COMMITMENTS AND CONTINGENCIES

Lease commitments

The future minimum lease payments are detailed as follows:

	31 December 2018	31 December 2017	1 January 2017
Within one year	**156**	156	156
Between two and ten years	**558**	713	869
Total	**714**	869	1,025

16. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company transacts with related parties. The Company's related parties include Deutsche Bank Group head office, its regional offices and other branches including Deutsche Bank AG – Riyadh Branch. Key management personnel includes Chief Executive Officer (CEO) and the personnel directly reporting to the CEO.

The Company has entered into agreements with Deutsche Bank AG (principal shareholder), which provide for an agreed bases for sharing of revenues on jointly executed projects and recovery of expenses incurred on such projects as approved by the Company's management.

Fee income comprise of revenue earned by the Company from Deutsche Bank AG and its affiliates in association with revenue sharing arrangements for products offered to the Company's customers.

Income and expenses pertaining to transactions with related parties included in the financial statements are as follows:

	2018	2017
Income		
Fee income – Deutsche Bank Group regional offices and other branches	**16,648**	14,223
Service fee income – Deutsche Bank Group regional offices and other branches	**-**	12,627
Special Commission income – Deutsche Bank Group regional offices and other branches	**9,423**	7,530

	2018	2017
Expenses		
Charges for support services		
Deutsche Bank Group regional offices and other branches	**4,283**	18,499
Service fee – Deutsche Bank Group regional offices and other branches	**(452)**	-
Compensation of key management personnel	**12,259**	11,264

The following shows the composition of the compensation of the Company's key management personnel:

	2018	2017
Salaries and other benefits	**9,165**	10,833
End of service benefits	**3,094**	432
	12,259	11,265

(Saudi Arabian Riyals in '000)

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The balances as at 31 December resulting from such transactions included in the statement of financial position is as follows:

	31 December 2018	31 December 2017	1 January 2017
Due from Deutsche group regional offices and other branches	**61,733**	59,806	14,515
Due to Deutsche group regional offices and other branches	**64,075**	117,572	20,490

In addition to above balances, the Company held balance in bank account with Deutsche Bank AG, Riyadh Branch of SAR 300 million (31 December 2017: SAR 450 million, 1 January 2017: SAR 450 million) who acts as the banker for the Company.

17. FINANCIAL RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation and monitoring of risks and controls.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company has dedicated Risk and Compliance functions. Day-to-day risk management activities are managed within each respective business unit. The Board of Directors meets on a quarterly basis and is updated on all relevant aspects of the business, including risk management matters.

The Group has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

17.1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and may cause the other party to incur a financial loss. The Company is exposed to credit risk mainly arising from cash and cash equivalents, due from related parties and accounts receivables.

The Company's risk management policies and processes are designed to identify and analyse risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

(Saudi Arabian Riyals in '000)

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

17.1 Credit risk (continued)

The Company's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	31 December 2018	31 December 2017	1 January 2017
Cash and cash equivalents	**429,161**	534,393	521,526
Due from related parties	**61,733**	59,806	14,515
Accounts receivable	**8,468**	--	--
	499,362	594,199	536,041

Based on management assessment, the Company has limited exposure to credit risk due to the following:

a. *Cash and cash equivalents* are maintained with banks having sound credit ratings.
b. *Account receivables* represent mainly fees receivables from corporate clients, which are considered as low credit risk by the Company.
c. *Due from related parties* is related to agreements with Deutsche Bank AG (Head Office), which provide for an agreed basis for sharing of revenues on jointly executed projects and recovery of expenses incurred on such projects as approved by the Company's management.

17.2 Market risk

a) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

As at 31 December 2018, 31 December 2017 and 1 January 2017, the Company does not have any significant foreign currency exposures or positions. The change in exchange rates at year-end therefore is not likely to affect the income of the Company significantly.

The Company manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Company did not undertake significant transactions in currencies other than Saudi Arabian Riyals, US Dollars and Euros during the year. The rate of exchange for conversion of Saudi Arabian Riyal to the US Dollar is pegged and therefore the company is not exposed to currency risk on US dollar based transaction.

At the end of the year, the Company had the following net exposures denominated in foreign currencies:

	Long / (Short)		
	31 December 2018	31 December 2017	1 January 2017
Euro	**(26,191)**	(1,036)	(18,570)
US Dollar	**(2,278)**	--	(796)
Other	**1,488**	(5,143)	(4,923)

(Saudi Arabian Riyals in '000)

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

17.2 Market risk (continued)

b) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments.

As the Company does not have commission bearing financial assets and liabilities, except for the time deposit which carries a fixed commission rate, it is not exposed to any special commission rate risk.

17.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. The Company monitors and manages the liquidity structure of its assets and liabilities so as to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

The tables below show the expected maturity profile of the assets and liabilities:

31 December 2018	*Within 3 Months*	*3-12 Months*	*1-5 Years*	*No fixed maturity*	*Total*
FINANCIAL ASSETS					
Cash and cash equivalents	**300,000**	-	-	**129,161**	**429,161**
Due from related parties	**61,733**	-	-	-	**61,733**
Accounts receivable	**8,468**	-	-	-	**8,468**
	370,201	-	-	**129,161**	**499,362**
FINANCIAL LIABILITIES					
Due to related parties	**64,075**	-	-	-	**64,075**
Accrued expenses and other			-	-	
current liabilities	**19,287**	-			**19,287**
	83,362	-	-	-	**83,362**
Net position	**286,839**	-	-	**129,161**	**416,000**

31 December 2017	*Within 3 Months*	*3-12 Months*	*1-5 Years*	*No fixed maturity*	*Total*
FINANCIAL ASSETS					
Cash and cash equivalents	450,000	-	-	84,393	534,393
Due from related parties	59,806	-	-	-	59,806
	509,806	-	-	84,393	594,199
FINANCIAL LIABILITIES					
Due to related parties	117,572	-	-	-	117,572
Accrued expenses and other current liabilities	17,290	-	-	-	17,290
	134,862	-	-	-	134,862
Net position	374,944	-	-	84,393	459,337

(Saudi Arabian Riyals in '000)

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

17.3 Liquidity risk (continued)

1 January 2017	Within 3 Months	3-12 Months	1-5 Years	No fixed maturity	Total
FINANCIAL ASSETS					
Cash and cash equivalents	450,000	-	-	71,526	521,526
Due from related parties	14,515	-	-		14,515
	464,515			71,526	536,041
FINANCIAL LIABILITIES					
Due to related parties	20,490	-	-	-	20,490
Accrued expenses and other current liabilities	17,054	-	-	-	17,054
	37,544	-	-	-	37,544
Net position	426,971			71,526	498,497

17.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to shareholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk and Compliance functions. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures
- requirements for
  -- appropriate segregation of duties between various functions, roles and responsibilities;
  -- reconciliation and monitoring of transactions; and
  -- periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

18. 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2018, no financial assets or liabilities were measured at FVTIS or FVOCI.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2018					
Financial assets					
Cash and cash equivalents	**429,161**	-	-	**429,161**	**429,161**
Due from related parties	**61,733**	-	-	**61,733**	**61,733**
Accounts receivable	**8,468**	-	-	**8,468**	**8,468**
Financial liabilities					
Due to related parties	**64,075**	-	-	**64,075**	**64,075**
Accrued expenses and other current liabilities	**19,287**	-	-	**19,287**	**19,287**

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2017					
Financial assets					
Cash and cash equivalents	534,393	-	-	534,393	534,393
Due from related parties	59,806	-	-	59,806	59,806
Accounts receivable	-	-	-	-	-
Financial liabilities					
Due to related parties	117,572	-	-	117,572	117,572
Accrued expenses and other current liabilities	18,152	-	-	18,152	18,152

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

		Fair value			
SAR' 000	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
01 January 2017					
Financial assets					
Cash and cash equivalents	521,526	-	-	521,526	521,526
Due from related parties	14,515	-	-	14,515	14,515
Accounts receivable	-	-	-	-	-
Financial liabilities					
Due to related parties	20,490	-	-	20,490	20,490
Accrued expenses and other current liabilities	18,542	-	-	18,542	18,542

Carrying value of other financial assets such as cash and cash equivalents, due from related parties, accounts receivables, other current assets and financial liabilities approximate their fair value due to them being short term in nature.

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2018 (31 December 2017 and 1 January 2017: nil).

19. CAPITAL ADEQUACY DISCLOSURES

The CMA has issued Prudential Rules ("the Rules") dated 17 Safar 1434H (corresponding to 30 December 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and the capital adequacy ratios as follows:

	31 December 2018	31 December 2017	1 January 2017
Capital Base:			
Tier 1 Capital	**413,270**	444,501	484,208
Tier 2 Capital	**--**	--	--
Total Capital Base	**413,270**	444,501	484,208
Minimum Capital Requirement:			
Market Risk	**3,830**	1,867	3,480
Credit Risk	**21,319**	19,981	19,505
Operational Risk	**19,704**	16,456	16,456
Total Minimum Capital Required	**44,853**	38,304	39,441
Capital Adequacy Ratio:			
Total Capital Ratio (time)	**9.21**	11.60	12.28
Surplus in Capital	**368,417**	406,198	444,767

a) Capital Base of the Company comprise of Tier-1 capital only which consists of share capital, accumulated losses, and statutory reserve adjusted with deferred tax assets.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Part 3 of the Prudential Rules issued by the CMA.

19. CAPITAL ADEQUACY DISCLOSURES (CONTINUED)

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

The minimum capital requirements and capital adequacy ratio for the year ended 31 December 2017 and 1 January 2017 (i.e. 31 December 2016) were based on the Company's audited financial statements in accordance with SOCPA GAAP as filed with the CMA.

20. EVENTS AFTER THE END OF REPORTING PERIOD

There are no events subsequent to the statement of financial position date which require adjustments or disclosure in the financial statements or notes thereto.

21. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 14 March 2019.