DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2019
Together with the
Independent auditor's report

KPMG Al Fozan & Partners
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Licence No. 46/11/323 issued 11/3/1992

Independent auditor's 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 2019, the statements of income, comprehensive income, changes in shareholders' 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 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, 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG

Independent auditor's report

To the shareholders of Deutsche Securities 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 Deutsche Securities Saudi Arabia ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License no: 460

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

2 Shaban 1441H
Corresponding to: 26 March 2020

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Saudi Arabian Riyals in '000)

	Note	***31 December 2019***	*31 December 2018 (Restated)*	*1 January 2018 (Restated)*
ASSETS				
Cash and cash equivalents	*5*	**413,269**	429,161	534,393
Due from related parties	*14, 18*	**23,041**	61,733	60,075
Accounts receivable		**752**	8,468	--
Prepayments and other current assets		**2,270**	2,602	2,427
Deferred tax assets	*12*	**2,505**	14,200	15,854
Property and equipment, net	*6*	**8,198**	4,242	5,109
TOTAL ASSETS		**450,035**	520,406	617,858
LIABILITIES AND EQUITY				
LIABILITIES				
Due to related parties	*14, 18*	**34,792**	64,254	117,572
Accrued expenses and other current liabilities	*7, 18*	**6,604**	17,756	17,177
Taxes payable	*12*	**4,215**	4,215	14,267
Lease liability		**6,816**	--	--
Employees' end of service benefits liability	*8*	**4,542**	5,359	7,243
TOTAL LIABILITIES		**56,969**	91,584	156,259
SHAREHOLDERS' EQUITY				
Share capital	*9*	**532,235**	532,235	532,235
Statutory reserve	*10*	**6,264**	6,264	6,264
Actuarial losses on employees' end of service benefits liability	*18*	**(915)**	(536)	(602)
Accumulated losses	*18*	**(144,518)**	(109,141)	(76,298)
TOTAL SHAREHOLDERS' EQUITY		**393,066**	428,822	461,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**450,035**	520,406	617,858

The accompanying notes 1 to 20 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 16 March 2020.

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Note	***2019***	*2018*
			(Restated)
Fee income	*14*	**14,296**	17,756
Brokerage income, net		**14,794**	3,603
Service fee, net	*14*	**2,147**	(452)
Operating income		**31,237**	20,907
Operating expenses	*11, 18*	**(62,262)**	(60,985)
Net operating loss		**(31,025)**	(40,078)
Special commission income	*14*	**7,743**	9,423
Exchange loss		**(305)**	(550)
Net loss before tax		**(23,587)**	(31,205)
Income tax expense	*12*	**(11,790)**	(1,638)
Net loss for the year		**(35,377)**	(32,843)

The accompanying notes 1 to 20 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 16 March 2020.

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Note	***2019***	*2018*
			(Restated)
Net loss for the year		**(35,377)**	(32,843)
Other comprehensive income			
Item that cannot be reclassified to statement of income			
Re-measurement of employees' end of service benefit liability, net of tax	*8*	**(379)**	66
Other comprehensive (loss) / income for the year		**(379)**	66
Total comprehensive loss for the year		**(35,756)**	(32,777)

The accompanying notes 1 to 20 form an integral part of these financial statements.

These financial statements have been approved by the Board of Directors on 16 March 2020.

DEUTSCHE SECURITIES SAUDI ARABIA
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Share capital	**Statutory reserve**	**Actuarial losses on employees' end of service benefits liability**	**Accumulated losses**	**Total**
Balance as at 1 January 2018, as reported	532,235	6,264	(613)	(77,531)	460,355
Correction of errors *(note 18)*	--	--	11	1,233	1,244
Balance as at 1 January 2018, as restated	532,235	6,264	(602)	(76,298)	461,599
Net loss for the year	--	--	--	(32,843)	(32,843)
Other comprehensive income	--	--	66	--	66
Total comprehensive income / (loss)	--	--	66	(32,843)	(32,777)
Balance at 31 December 2018	532,235	6,264	(536)	(109,141)	428,822
Balance at 1 January 2019, as restated	**532,235**	**6,264**	**(536)**	**(109,141)**	**428,822**
Net loss for the year	--	--	--	**(35,377)**	**(35,377)**
Other comprehensive loss	--	--	**(379)**	--	**(379)**
Total comprehensive loss	--	--	**(379)**	**(35,377)**	**(35,756)**
Balance at 31 December 2019	**532,235**	**6,264**	**(915)**	**(144,518)**	**393,066**

The accompanying notes 1 to 20 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 2019
(Saudi Arabian Riyals in '000)

	Note	2019	2018
Cash flows from operating activities			(Restated)
Net loss before tax		**(23,587)**	(31,205)
Adjustments to reconcile net loss before tax to net cash used in operating activities			
Depreciation	*6*	**3,066**	1,281
Provision for employees' end of service benefits	*8*	**1,530**	908
		(18,991)	(29,016)
Net increase / (decrease) in operating assets			
Due from related parties		**38,692**	(1,658)
Accounts receivable		**7,716**	(8,468)
Prepayments and other current assets		**332**	(175)
Net (decrease) / increase in operating liabilities			
Due to related parties		**(29,462)**	(53,318)
Accrued expenses and other current liabilities		**(11,626)**	579
		(13,339)	(92,056)
Employees' end of service benefits paid		**(2,347)**	(2,710)
Income tax paid		**--**	(10,052)
Net cash used in operating activities		**(15,686)**	(104,818)
Cash flows from an investing activity			
Purchase of property and equipment	*6*	**(206)**	(414)
Net cash used in investing activities		**(206)**	(414)
Net decrease in cash and cash equivalents		**(15,892)**	(105,232)
Cash and cash equivalents at the beginning of the year		**429,161**	534,393
Cash and cash equivalents at the end of year	*5*	**413,269**	429,161
Non-cash transactions			
Employees' end of service benefits liability			
Transfer of liability between subsidiaries	*8*	**42**	448

The accompanying notes 1 to 20 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 ("CJSC") incorporated in the Kingdom of Saudi Arabia under commercial registration no. 1010239773 dated 24/10/1428H (corresponding to 05/11/2008G). On 03/01/1429H (corresponding to 12/01/2008G). The Company received the license from the Capital Market Authority ("CMA") to commence the business. In 2018, the legal structure of the Company changed from a limited liability company to a 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 the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA") and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia and the By-Laws of the Company.

2.2 Basis of measurement and presentation

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

Assets and liability balances are presented in the statement of financial position in the order of liquidity.

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 judgements

The preparation of these financial statements requires management to make judgements, 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 judgements are as follows:

- Employees' end of service benefits liability – note 3(g) and 8
- Valuation of deferred tax assets – note 3(h) and 12

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. Where policies are applicable only from or before 1 January 2019, those policies have been particularly specified.

(a) Change in accounting policies

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

The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Company's statement of financial position, unless the term is twelve months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated 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 of use the leased assets was generally measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018, discounted using the Company's incremental interest rate at the time of first time application.

(Saudi Arabian Riyals in '000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Change in accounting policies (continued)

Reconciliation of lease liability

	2019
Off-balance sheet lease obligations as of 31 December 31, 2018	**7,509**
Operating lease obligations as of January 1, 2019 (Gross without discounting)	**7,509**
Discounted using the Company's incremental borrowing rate	**(693)**
Operating lease obligations as of 1 January 2019 (net, discounted)	**6,816**

(b) Financial instruments

i) Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through income statement ("FVTIS").

As at 31 December 2019 and 2018, the Company only has financial assets classified and measured at amorised cost.

Financial assets classified as amortised cost
Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include 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.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Special commission is recognised in the statement of income.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost. The amount of ECL reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on its financial assets at amortised cost, whenever applicable and this always recognises lifetime ECL on such exposures. ECL on these financial assets are estimated using net flow rate method based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The Company recognises impairment loss, if any, in the statement of income with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to receive or pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

ii) Financial liabilities

Financial liabilities carried at amortised cost have been classified and measured at amortised cost using the effective yield method.

All financial liabilities of the Company is classified and carried at amortised cost.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(c) Accounts receivables

Account receivables mainly includes trade settlement balances which are settled within 1-3 days from the transaction date. 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. Account receivables when identified are written off (either partially or in full) when there is no realistic prospect of recovery.

(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.

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 recognised 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 period. 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 the statement of income. Re-measurement of defined benefit liability, which comprise of actuarial gains and losses, are recognised immediately in the 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

<u>Current tax</u>
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 the 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.

<u>Deferred tax</u>
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 recognised 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Accounting for leases

Right of use asset / Lease liabilities

Right of use assets

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

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount 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.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(j) 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.

(k) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit ("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.

(l) 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 assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards

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.

(m) 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.

(n) 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.

(o) 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.

(Saudi Arabian Riyals in '000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Exchange income/ loss

Exchange income/loss is recognised when earned/incurred.

(q) 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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1	Classification of liabilities	1 January 2022
IFRS 17	Insurance Contracts	1 January 2022
IFRS 7, IFRS 9	Pre replacement issues in the context of the IBOR reforms	1 January 2020

5. CASH AND CASH EQUIVALENTS

	Note	***31 December 2019***	*31 December 2018*
Time deposits	*5.1*	**300,000**	300,000
Cash at bank – current accounts		**113,269**	129,161
		413,269	429,161

5.1 Time deposits represent two deposit deals placed with Deutsche Bank AG – Riyadh Branch carrying special commission rate ranging from 2.40% to 2.47% (2018: 2.27% - 2.64%) with maturities ranging from 6 January 2020 to 6 February 2020 (2018: 3 January 2019 to 4 February 2019).

6. PROPERTY AND EQUIPMENT, NET

	Leasehold improvement and ROU	Furniture and Fixtures	Computer and Office Equipment	Total
Cost				
At 1 January 2018	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
Additions during the year	6,891	--	131	7,022
At 31 December 2019	**17,736**	**4,234**	**7,090**	**29,060**
Accumulated depreciation				
At 1 January 2018	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**
Charge for the year	2,618	49	399	3,066
At 31 December 2019	**10,475**	**3,570**	**6,817**	**20,862**
Net book value as at				
31 December 2019	**7,261**	**664**	**273**	**8,198**
31 December 2018	2,988	713	541	4,242

Leasehold improvements and ROU opening balance include right of use ("ROU") asset that is recognised upon the adoption of IFRS 16 Leases. The movement of ROU is as follows:

2019 **Right of use**	**SAR ('000)**
Balance at beginning of the year	**6,816**
Depreciation	**(1,978)**
Balance at the end of the year	**4,838**

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	***31 December 2019***	*31 December 2018*
Accrued expenses and other current liabilities	*7.1*	**3,114**	11,341
Accrual for bonus		**3,490**	6,415
		6,604	17,756

7.1 Other current liabilities include repairs and maintenance and automobile rentals.

(Saudi Arabian Riyals in '000)

8 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 2019	*31 December 2018*
Balance at beginning of the year	**5,359**	7,243
Current service cost	**868**	1,104
Special commission cost	**231**	252
Amount recognised in the statement of income	**1,099**	1,356
Transfer of liability*	**(42)**	(448)
Re-measurement losses / (gains) recognised in other comprehensive income	**473**	(82)
Benefits paid during the year	**(2,347)**	(2,710)
Balance at the end of the year	**4,542**	5,359

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

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

	31 December 2019	*31 December 2018*
Effect of change in financial assumptions	**445**	255
Effect of experience adjustments	**28**	(337)
Re-measurement losses / (gains) recognised in other comprehensive income	**473**	(82)

8.2 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 December 2019	*31 December 2018*
Key actuarial assumptions		
Discount rate used	**2.86%**	4.2%
Expected annual salary increment	**2.0%**	2.0%

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)

8. EMPLOYEES' END OF SERVICE BENEFITS LIABILITY (CONTINUED)

8.3 Sensitivity analysis

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

	31 December 2019		31 December 2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate, *(0.5% movement)*	**(177)**	**188**	(195)	207
Expected annual salary increment, *(0.5% movement)*	**190**	**(179)**	184	(183)

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

	31 December 2019	*31 December 2018*
Weighted average duration of the defined benefit obligation in years	**7.88**	7.88
Expected Distribution of timing of benefit payments:		
Year 1	**415**	556
Year 2	**467**	639
Year 3	**515**	685
Year 4	**557**	730
Year 5	**594**	722
Year 6 and above	**4,095**	4,229

9. 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**

10. 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)

11. OPERATING EXPENSES

	31 December 2019	*31 December 2018*
Salaries and employee-related expenses	**26,057**	38,832
Charges from Deutsche Bank Group for support services (Note 14)	**12,682**	4,283
Travel expenses	**875**	2,157
IT expenses	**6,652**	5,456
Legal and consulting expenses	**1,714**	2,511
Communication expenses	**1,026**	1,143
Depreciation (note 6)	**3,066**	1,281
Other expenses	**10,190**	5,322
	62,262	60,985

Other expenses include withholding tax, payment and clearing services, repairs and maintenance, payroll service costs and automobile rentals.

12. TAXATION

Income tax charge for the year has been calculated based on the 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 2019	*31 December 2018*
At beginning of the year	**4,215**	14,267
Income tax provision for the year	**-**	(10,052)
At end of the year	**4,215**	4,215

For the years ended 31 December 2019 and 2018, there had been no current income tax recognised as the Company have incurred losses.

b) Recognised deferred tax assets

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

	31 December 2019	*31 December 2018*
Property and equipment, net	**1596**	1,314
Employees' end of service benefits	**909**	990
Carry forward losses	**-**	11,896
Deferred tax assets	**2,505**	14,200

During the year 2019, management has reviewed and revised their business plan in light of discontinuation of equities business as part of DB global transformation, expected amendments in their transfer pricing agreements and considering other pipeline transactions. Due to expected volatility in performance forecasts, management believes that there will not be any reliably measurable taxable profits within the next five years in which they can utilise the accumulated unused tax losses. Accordingly, deferred tax assets on carry forward tax losses were written-off in 2019.

(Saudi Arabian Riyals in '000)

12. TAXATION (CONTINUED)

The movement in deferred tax assets during the year is summarised as follows:

	31 December 2019	*31 December 2018*
At beginning of the year	**14,200**	15,854
Charge for the year recognised in the statement of income	**(11,790)**	(1,638)
Charge for the year related to the re-measurement of employees' end of service benefits	**95**	(16)
At the end of the year	**2,505**	14,200

c) *Status of income tax assessments*

The Company has filed its income tax returns up to the year ended 31 December 2018 with the General Authority for Zakat and Tax ("GAZT"). To date, the Company has not received any further assessments from GAZT for years 2014 to 2018.

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 year 2018, 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).

13. ASSETS HELD IN FIDUCIARY CAPACITY

As at 31 December 2019, assets held under fiduciary capacity of the Company amounted to SAR 422 million (2018: SAR 43 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 2019, the Company held equity securities with a market value of SAR 17 million (2018: SAR 117 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)

14. 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, and the Company's key management personnel.

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:

	2019	2018
Income		
Fee income – Deutsche Bank Group regional offices and other branches	**13,531**	16,648
Service fee income – Deutsche Bank Group regional offices and other branches	**2,147**	-
Special commission income – Deutsche Bank Group regional offices and other branches	**7,743**	9,423

	2019	2018
Expenses		
Charges for support services		
Deutsche Bank Group regional offices and other branches	**12,682**	4,283
Service fee – Deutsche Bank Group regional offices and other branches	**-**	(452)
Compensation of key management personnel	**12,264**	12,259

The following shows the composition of the compensation of the Company's key management personnel which includes Chief Executive Officer ("CEO"), Chief Financial Officer and business heads who are directly reporting to the CEO:

	2019	2018
Salaries and other benefits	**8,560**	9,165
End of service benefits	**3,704**	3,094
	12,264	12,259

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

	31 December 2019	*31 December 2018*
Due from Deutsche group regional offices and other branches	**23,041**	61,733
Due to Deutsche group regional offices and other branches	**34,792**	64,254

In addition to above balances, the Company held balance in bank account with Deutsche Bank AG, Riyadh Branch of SAR 300 million (31 December 2018: SAR 300 million,) who acts as the banker for the Company.

(Saudi Arabian Riyals in '000)

15. 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 the 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

15.1 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.

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

	31 December 2019	*31 December 2018*
Cash and cash equivalents	**413,269**	429,161
Due from related parties	**23,041**	61,733
Accounts receivable	**752**	8,468
	437,062	499,362

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. *Accounts receivable* represents 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.

(Saudi Arabian Riyals in '000)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.2 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 2019, 31 December 2018 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 2019	*31 December 2018*
Euro	**3,602**	(26,191)
US Dollar	**3,843**	(2,278)
Other	**(1,250)**	1,488

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.

15.3 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 2019	***Within 3 Months***	***3-12 Months***	***1-5 Years***	***No fixed maturity***	***Total***
FINANCIAL ASSETS					
Cash and cash equivalents	**300,000**	**--**	**--**	**113,269**	**413,269**
Due from related parties	**23,041**	**--**	**--**	**--**	**23,041**
Accounts receivable	**752**	**--**	**--**	**--**	**752**
	323,793	**--**	**-**	**113,269**	**437,062**
FINANCIAL LIABILITIES					
Due to related parties	**34,792**	**--**	**--**	**--**	**34,792**
Accrued expenses and other current liabilities	**6,604**	**--**	**--**	**--**	**6,604**
Lease liability	**987**	**566**	**5,263**	**--**	**6,816**
	42,383	**566**	**5,263**	**--**	**48,212**
Net position	**281,410**	**(566)**	**(5,263)**	**113,269**	**388,850**

(Saudi Arabian Riyals in '000)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Liquidity risk (continued)

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	64,254	--	--	--	64,254
Accrued expenses and other current liabilities	17,756	--	--	--	17,756
	82,010	--	--	--	82,010
Net position	288,191	--	--	129,161	417,352

15.4 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.

16. 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.

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).

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

As at 31 December 2019 and 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 2019					
Financial assets					
Due from related parties	**23,041**	--	--	**23,041**	**23,041**
Accounts receivable	**752**	--	--	**752**	**752**
Financial liabilities					
Due to related parties	**34,792**	--	--	**34,792**	**34,792**
Accrued expenses and other current liabilities	**6,604**	--	--	**6,604**	**6,604**
Lease liability	**6,816**	--	--	**6,816**	**6,816**

		Fair value			
SAR' 000	Carrying value	Level 1	Level 2	Level 3	Total
31 December 2018					
Financial assets					
Due from related parties	61,733	--	--	61,733	61,733
Accounts receivable	8,468	--	--	8,468	8,468
Financial liabilities					
Due to related parties	64,254	--	-	64,254	64,254
Accrued expenses and other current liabilities	17,756	--	--	17,756	17,756

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. Lease liabilities are measured at Company's incremental borrowing rate which are derived based on external reference rates and internal factors which are used in calculating the present value of lease payment stream, that approximates fair value of the liability.

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2019 and 2018.

(Saudi Arabian Riyals in '000)

17. 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 2019	*31 December 2018*
Capital Base:		
Tier 1 Capital	**390,561**	413,270
Tier 2 Capital	**--**	--
Total Capital Base	**390,561**	413,270
Minimum Capital Requirement:		
Market Risk	**586**	3,830
Credit Risk	**19,436**	21,319
Operational Risk	**15,273**	19,704
Total Minimum Capital Required	**35,295**	44,853
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**11.07**	9.21
Surplus in Capital	**355,266**	368,417

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.

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.

18. CORRECTION OF ERRORS

During 2019, management noted that there had been duplicate and erroneous recording of actuarial gains and losses on employees' end of service benefits liability in "other liabilities" and non-reclassification of intercompany payable and receivable whenever employees transfer between DB Group entities.

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Company's financial statements.

(Saudi Arabian Riyals in '000)

18. CORRECTION OF ERRORS (CONTINUED)

18.1 Statement of financial position

1 January 2018	Note	**Impact of correction of errors** As previously reported	Adjustment	As restated
Due from related parties	a	59,806	269	60,075
Accrued expenses and other current liabilities	b	18,152	(975)	17,177
Actuarial losses on employees' end of service benefits liability		(613)	11	(602)
Accumulated losses	c	(77,531)	1,233	(76,298)

31 December 2018	Note	**Impact of correction of errors** As previously reported	Adjustment	As restated
Accrued expenses and other current liabilities	b	19,287	(1,531)	17,756
Due to related parties	a	64,075	179	64,254
Actuarial losses on employees' end of service benefits liability		(547)	11	(536)
Accumulated losses	c	(110,482)	1,341	(109,141)

18.2 Statement of income

For the year ended 31 December 2018	Note	**Impact of correction of errors** As previously reported	Adjustment	As restated
Operating expenses	d	(61,093)	108	(60,985)

a) To reclassify liabilities from "Other liabilities" to "Due from/to related parties" related to employee movements between DB Group entities.

b) To reverse actuarial gains and losses on employees' end of service benefits liability erroneously recorded in "Other liabilities" which pertain to previous years.

c) To reverse the net impact of the misstatements in 'a' and 'b' accumulated losses.

d) To reverse the net impact to statement of income due to incorrect bookings made in other liabilities pertaining to employees' end of service benefits liability payments and actuarial gains and losses adjustments during 2018.

19. EVENTS AFTER THE END OF REPORTING PERIOD

Since early January 2020, the coronavirus ("COVID-19") outbreak has spread across globally, causing disruption to business and economic activity. The COVID-19 pandemic has significantly impacted the stock markets around the world to date and may continue to do so in the coming months of 2020, whereby potentially impacting the earnings and cash flows of the Company. The Company considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company will evaluate the potential impacts and respond accordingly.

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

20. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 16 March 2020.