EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended
31 December 2019
Together with the
INDEPENDENT AUDITOR'S REPORT

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended
31 December 2019

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 EFG–Hermes Saudi Arabia

Opinion

We have audited the financial statements of EFG–Hermes Saudi Arabia ("the Company") (a Saudi closed joint stock company), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 members of the board of directors, are overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 ISAs 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.

KPMG

Independent auditor's report

To the Shareholders of EFG–Hermes Saudi Arabia (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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's 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 **EFG-Hermes Saudi Arabia Company ("the Company").**

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubark AlDossari
License No. 469

Riyadh on: 9 Rajab 1441H
Corresponding to: 4 March 2020

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Certified Public Accountants
KPMG Al Fozan & Partners

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Saudi Riyals)

	Note	**31 December 2019**	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	5	**70,057,683**	56.910.736
Trade and other accounts receivable	6	**21,124,572**	9.235.066
Total current assets		**91,182,255**	66.145.802
Non- Current assets			
Investments at FVOCI	7	**--**	9.902.702
Property and equipment	8	**1,549,625**	820.452
Total non-current assets		**1,549,625**	10.723.154
Total assets		**92,731,880**	76.868.956
LIABILITIES AND PARTNERS' EQUITY			
LIABILITY			
Current liabilities			
Trade and other accounts payable	9	**13,854,005**	11.649.596
Income tax liability	16	**1,731,067**	--
Total current liabilities		**15,585,072**	11.649.596
Non-current liabilities			
Employees' benefits obligations	11	**4,517,773**	4.669.803
Total non-current liabilities		**4,517,773**	4.669.803
Total liabilities		**20,102,845**	16.319.399
Equity			
Share capital	12	**86,529,540**	86.529.540
Accumulated losses	1	**(13,900,505)**	(29.118.758)
Fair value reserve	**7**	**--**	3.138.775
Total equity		**72,629,035**	60.549.557
Total liabilities and equity		**92,731,880**	76,868,956

The accompanying notes from 1 to 24 form an integral part of these financial statements.

Chief Executive Officer **Chief Financial Officer**

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
For the financial year ended 31 December 2019
(Saudi Riyals)

	Note	**31 December 2019**	31 December 2018
Revenues			
Brokerage commission fees		**27,614,307**	15,176,856
Property management fees		**539,430**	2,463,450
Other operating income		**10,409,265**	--
		38,563,002	17,640,306
Cost of revenue			
Brokerage commission expenses		**(16,789,303)**	(12,407,601)
Assets management expenses		**(533,485)**	(1,946,688)
Other operating expenses		**(1,279,190)**	(1,453,027)
		(18,601,978)	(15,807,316)
Gross profit		**19,961,024**	1,832,990
General and administrative expenses	13	**(6,931,490)**	(5,702,079)
Selling and marketing expenses		**(1,203)**	(1,457)
Operating profit / (loss)		**13,028,331**	(3,870,546)
Finance costs, net	14	**(1,203,332)**	(653,750)
Foreign currency gain		**731,865**	688,380
Net income / (loss) for the year before income tax		**12,556,864**	(3,835,916)
Income tax	16	**(1,731,067)**	--
Net income / (loss) for the year after income tax		**10,825,797**	(3,835,916)
Basic and diluted income / (loss) per share of the net income / (loss) for the year	21	**1,25**	(0,44)
Basic and diluted income / (loss) per share of the operating income / (loss)	21	**1,51**	(0,45)

The accompanying notes from 1 to 24 form an integral part of these financial statements.

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2019
(Saudi Riyals)

	Note	**31 December 2019**	31 December 2018
Net income / (loss) for the year		**10,825,797**	(3,835,916)
Other comprehensive income items			
Items that will not be reclassified to statement of profit or loss in subsequent periods			
Actuarial (loss) / gain from re-measurement of employees' benefits obligations	11	**(286,098)**	331,462
Movement in Fair value of investments at FVOCI	7	**--**	620,508
Gains on sale of investments at FVOCI	7	**1,539,779**	--
Other comprehensive income for the year		**1,253,681**	951,970
Total comprehensive income/(loss) for the year		**12,079,478**	(2,883,946)

The accompanying notes from 1 to 24 form an integral part of these financial statements.

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2019
(Saudi Riyals)

	Share capital	Accumulated losses	Fair value reserve	Total equity
Balances as at 1 January 2018	86,529,540	(25,614,304)	2,518,267	63,433,503
Net loss for the year	--	(3,835,916)	--	(3,835,916)
Total other comprehensive income	--	331,462	620,508	951,970
Balances as at 31 December 2018	86,529,540	(29,118,758)	3,138,775	60,549,557
Balances as at 1 January 2019	86,529,540	(29,118,758)	3,138,775	60,549,557
Net income for the year	--	10,825,797	--	10,825,797
Total other comprehensive income	--	(286,098)	1,539,779	1,253,681
Total comprehensive income	--	10,539,699	1,539,779	12,079,478
Transfer of fair value reserve (Note 7)	--	4,678,554	(4,678,554)	--
Balances as at 31 December 2019	86,529,540	(13,900,505)	--	72,629,035

The accompanying notes from 1 to 24 form an integral part of these financial statements.

EFG-HERMES SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2019
(Saudi Riyals)

	31 December 2019	31 December 2018
Cash flows from operating activities		
Net income / (loss) for the year before income tax	**12,556,864**	(3,835,916)
Adjustments for:		
Depreciation	**372,729**	319,565
Employees' benefits	**716,880**	802,590
Interests on short-term deposits	**(262,008)**	--
Finance costs	**1,301,760**	453,124
Changes in		
Trade and other accounts receivable	**(11,889,506)**	10,531,283
Trade and other accounts payable	**2,204,409**	(2,893,488)
Employees' benefits obligations paid	**(1,155,008)**	(1,162,843)
Net cash generated from operating activities	**3,846,120**	4,214,315
Cash flows from Investing Activities		
Purchase of property and equipment	**(1,101,902)**	(408,820)
Proceeds from sale of investments at FVOCI	**11,442,481**	--
Proceeds from interests on short-term deposits	**262,008**	--
Net cash flows generated / (used in) from investing activities	**10,602,587**	(408,820)
Cash flow from financing activities		
Proceeds from bank facilities	**26,000,000**	10,000,000
Payments to bank facilities	**(26,000,000)**	(10,000,000)
Finance costs paid	**(1,301,760)**	(453,124)
Net cash flows generated from financing activities	**(1,301,760)**	(453,124)
Net increase in cash and cash equivalents	**13,146,947**	3,352,371
Cash and cash equivalents at beginning of the year	**56,910,736**	53,558,365
Cash and cash equivalents at end of the year	**70,057,683**	56,910,736
Non-Cash Transactions:		
Actuarial (gain) / loss from re-measurement of employees' benefits obligations	**(286,098)**	331,462
Transfer of fair value reserve	**3,138,775**	--
Movement in fair value of investments at FVOCI	**--**	620,508

The accompanying notes from 1 to 24 form an integral part of these financial statements.

1. GENERAL INFORMATION

EFG-Hermes Saudi Arabia Company ("the Company"), a Saudi Closed Joint Stock Company, is established under the applicable laws in Saudi Arabia and as per the Saudi Arabian Regulations for Companies issued under Royal Decree No. M/6 dated 22/3/1385 H (corresponding to 21/7/1965).

According to the Ministerial Decree No. 2875 dated 15/10/1427 H (corresponding to 7/11/2006) relating to the approval of the Company's establishment license and constituent assembly held on 24/10/1427 H (corresponding to 16/11/2006), as well as the Ministerial Decree number 3383 dated 11/11/1427 H (corresponding to 2/12/2006) relating to the approval on the announcement of the Company's establishment, the Company was registered in the Commercial Register of Riyadh under number 1010226534 on 3/12/1427 H (corresponding to 23/12/2006). By virtue of the Capital Market Authority's approval dated 17/4/1427 H (corresponding to 16/5/2006) registered under number 37-06016, the Company is authorized to practice the licensed activities as from 3/2/1428 H (corresponding to 21/2/2007).

The principal activities of the Company is to act in the capacity of principal or agent; to cover, manage and establish investment funds; to manage portfolios; to advise and keep in custody for the purpose of administrative procedures and arrangements related to investment funds, portfolio management and brokerage in international stock markets, and execute margin deals.

In the Extraordinary General Assembly held on 24 January 2017 and since the Company accumulated losses exceed 50% of share capital, the shareholders resolved at the same date to continue the activities of the Company and reduce the Company's share capital of SR 300,000,000 (30,000,000 shares with par value SR 10 per share) by the balance of accumulated losses as at 31 December 2015 of SR 213,470,460. On 17 May 2017, the legal proceedings have been completed and the reduction in share capital in the Company's Commercial Registration and By-Laws have been amended. The share capital becomes SR 86,529,540 (8,652,954 shares with par value SR 10 per share).

On 17 March 2019, the Board of Directors decided to terminate and liquidate the general funds managed by the Company, “EFG Hermes Saudi Fund and EFG-Hermes Hasaad Freestyle Saudi Equity Fund”. The necessary measures were taken with the CMA and the unit holders. It also decided to freeze and suspend the asset management activity for equity products while maintaining the management license in the event of investment opportunities for managing real estate funds, direct investment funds or other investment opportunities. On 18 Sha’aban 1440H (corresponding to 23 April 2019) the sale and liquidation of funds were completed.

The registered address of the Company is as follows:
Kingdom of Saudi Arabia, Riyadh 11372, P.O Box 300189

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in Saudi Arabia and other standards and pronouncements as endorsed by SOCPA (“IFRSs”).

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis, except for certain financial instruments which are valued at fair value through other comprehensive income and provision for end-of-service using the projected credit unit method, using accrual basis of accounting and the going concern concept as explained in the accounting policies set out below at the end of reporting period as endorsed in the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION (CONTINUED)

2.3 Effect of change in accounting policies:

IFRS 16 'Leases':
IFRS 16 'Leases' replaces the following standard and interpretations:

- IAS 17 'Leases'.
- IFRIC 4 'Determining whether an Arrangement contains a Lease'.
- SIC 15 'Operating Leases-Incentives'.
- SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The standard determines the principles of recognition, measurement, presentation and disclosure of leases and requires lessees to recognize leases in accordance with a consolidated accounting framework in the statement of financial position.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for specific consideration. To assess whether a contract conveys the right to control the use of an identified asset,

As a lessee
At the commencement date, the Company shall assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company shall assess whether, throughout the period of use, the customer has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

The Company shall recognize a right-of-use asset at the commencement date (i.e. the date on which the underling asset is available for use) and a lease liability at the commencement date. The right-of-use asset is initially measured at cost less accumulated depreciation and impairment and is settled for any remeasurement of a lease liability. The cost of right-of-use asset includes the initial amount of a lease liability adjusted by lease payments made on or before the commencement date, and any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received. The estimated useful life for right-of-use asset based on the lease term.

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The Company shall discount lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be easily determined, the Company should use the incremental borrowing rate.

After the commencement date, a lessee shall measure the lease liability by:
(a) increasing the carrying amount to reflect interest rate on the lease liability;
(b) reducing the carrying amount to reflect the lease payments made; and
(c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments that are remeasured when there is a change in future lease payments arising from a change in index or a rate, or if there was a change in the Company's estimate of the amount expected to be payable by the lessee under residual value guarantees, or if the Company changed its assessment whether if it will choose the purchase, extension or termination. Any remeasurement is settled in the lease liability against the carrying amount of right-of-use asset or charged to the statement of profit or loss if the carrying amount of the related asset is Zero.

2. BASIS OF PREPARATION (CONTINUED)

2-3 Effect of change in accounting policies (continued)

IFRS 16 'Leases' (continued)

Short-term leases
The Company elected not to recognize right-of-use assets and lease liabilities for the short-term leases for which their terms are 12 months or less or leases of low-value assets. The Company recognizes lease payments associated with those leases as expenses on a straight-line basis over the lease term.

Extension options
In case of leases that provide extension options, the Company assesses whether if it is reasonably certain, at commencement date, that the extension options will be exercised. The Company reassesses whether it is reasonably certain to exercise the options if there was an significant event or major change in the circumstances that fall under its control.

As a lessor
When the Company is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Company perform overall assessment whether lease transfers all substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers specific indicators such as whether the lease term is for the major part of the economic life of the underlying asset.

The initial measurement in case of finance leases:The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease.

At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:
(a) fixed payments;
(b) variable lease payments that depend on an index or a rate;
(c) any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee; and
(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Upon subsequent measurement, a lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

The initial measurement in case of operating leases: A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Upon subsequent measurement, a lessor shall apply IAS 36 to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified.

2. BASIS OF PREPARATION (CONTINUED)

When the Company is an intermediate lessor, it calculates its interest in the head lease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease, the Company applies exemption, the sublease shall be classified as an operating lease.

If the arrangement includes lease and non-lease components, the Company shall allocate the consideration in the contract by applying IFRS 15 for allocation the consideration in the contract.

The Company has assessed the existing leases as at 1 January 2019 or which have been forwarded later to this date until the date of the financial statements. Based on the assessment prepared by the management, it concluded that the existing leases are short-term, which means that IFRS 16 will not be applied. Accordingly, the Company recognized the payments of those leases as expenses on a straight-line basis over the lease term.

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.

Standards / interpretations	Particular	Effective from periods beginning on or after the following date
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of materialty	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3-1 Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional and presentational currency of the Company.

3-2 Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-2 Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Company determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Company analyses the changes in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note (19).

3-3 Revenue recognition

The Company recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with the customer.	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Identify the contracts with customers
The Company carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Company determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identify the performance obligations under the contract
Once the Company has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-3 Revenue recognition (Continued)

The Company assess the services promised in a contract with a customer and identifies as a performance obligation either:

a) service that is distinct; or
b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

A service (or bundle of services) is distinct if the customer can benefit from the service on its own or together with other readily available resources (i.e., the service is capable of being distinct) and the service is separately identifiable from other promises in the contract (i.e., the service is distinct within the context of the contract).

The Company provides management services to its customers which are generally provided continuously over the contract period. Accordingly, the services in these contracts generally represent a single performance obligation. Fees charged for managing mutual funds are recognized as revenue ratably as the services are provided.

Determine the transaction price
The Company determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any).

Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

Management determines transaction prices for its following revenue streams as mentioned below:

- Rendering of brokerage services, where the Company acts as a principal or agent.
- Transaction price is the commission received by the Company, which is considered fixed for each transaction value less market expenses.
- Performance fee is based on funds' performance in relation to set benchmarks, which are subject to market volatility. Accordingly, the consideration to which the Company is entitled becomes variable. Transaction price for performance fee is determined once benchmark is achieved and testing time for achievement of stated benchmark is end of relevant period
- In respect of management fee received by the Company, transaction price is determined based on a fixed rate of monthly net assets value of the fund. Accordingly, there is no variability in the consideration to which the Company is entitled
- Other advisory fee, which are generally fixed in nature based on agreement with customers to which the Company provides advisory services

Allocation of transaction price
Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Company is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Company makes estimates based on information that is reasonably available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-3 Revenue recognition (Continued)

Revenue recognition
Revenue is recognized only when the Company satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied overtime, the Company identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

The Company believes that it fulfills its performance obligations in its contracts with customers at a point in time, and hence it recognizes revenue as and when it fulfills its obligations under contracts with customers.

The Company generates following revenue streams that are covered under IFRS 15 'Revenue from Contracts with Customers'.

a) Fee and commission:

i) Brokerage service fee

The performance obligation is satisfied at the point in time at which trade transaction (buy or sell order) is settled. Hence, the Company recognizes commission fee as and when a trade transaction is settled.

ii) Assets management fees from investment funds and portfolios

Management fee income is recognized on monthly basis (as percentage basis) with reference to monthly NAV computation.

Company's practice for recognition of Management fee is aligned with IFRS since Management fee is recognized on an accrual basis against rendering of Asset Management services that accrued revenue is providing on an on-going basis.

iii) Performance fee from investment funds

Performance fee income based on a fund's performance, relative to a benchmark or the realized appreciation of fund's investments, are types of variable consideration. In many cases, these performance fees are highly susceptible to market volatility until they are crystallized or are no longer subject to claw back, which may be after the end of the reporting period.

In case of company, effect of claw back does not apply since Company does not recognized any revenue against performance fee until the end of respective period for testing of benchmark achievement which is when performance fee is crystallized and recorded as Company's revenue.

Analysis of Performance Fee at Company reveals that Performance fee income recognition at Company is in accordance five step model in IFRS 15. Company performs a annual accrual for Performance fee based on defined benchmark as a difference between Fund growth and Benchmark growth. At the end of relevant period aggregate growth of Fund is compared against Benchmark and if it is above Benchmark, then Performance fee is recognized, otherwise it is not recognized.

b) Other operating income
Miscellaneous service income: This relates to income generated from offering miscellaneous financial services to customers. Revenue is recognized once performance obligation is satisfied based on the agreement between the Company and the counterparty.

Revenue from advisory fee: This relates to revenue generated from providing corporate advisory fee by the Company to the customers. Finance interests on margin: This is related to brokerage income from short term financing provided to customers, and is recognized on accrual basis by using effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-4 property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost comprise of cost of property and equipment. When significant parts of a property and equipment item have different useful lives, they are counted as separate items of property and equipment.

Depreciation of property and equipment is charged to the statement of profit or loss using straight method over the estimated useful life for each item in accordance with the annual estimated lives as follows:

ASSETS	**Years**
Furniture & fixtures	3.3 - 8
Computers	3.3
Telecommunication equipment	3.3
Electric appliances	3.3
Motor vehicles	4

Depreciation methods, useful life and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The impact of these changes are recognized in the statement of profit or losses on a prospective basis.

Major improvements and refurbishments are capitalized when it increases benefits or the operating life of assets. Minor repairs and improvements are charged as expenses when incurred. Gains or losses resulting from disposal of assets which represent the difference between proceeds from sale and the carrying amount of assets are recognized in the statement of profit or loss.

3-5 Financial instruments

Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified at fair value through profit or loss.

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 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 interest 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 the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 Financial instruments (continued)

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial asset at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in the profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Company has no investments in debt instruments at FVOCI or investments in equity instruments at FVOCI since they have been sold on 23 April 2019 (Note 8).

Impairment of financial assets
The financial assets recognized at amortized cost consist of trade receivables, cash and cash equivalents.

Loss provisions are measured on the bases of ECLs over lifetime of a financial instrument: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss provisions at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs
ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all value shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For receivables, the Company applies the simplified approach to estimate ECLs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 Financial instruments (continued)

Impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss provisions for financial assets are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables, if any, are presented in the statement of profit or loss under a separate item.

Financial liabilities:
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition
Financial assets
A financial asset (or part of a group of similar financial assets) is primarily derecognized (i.e., excluded from the Company's statement of financial position) in the following cases:

- The rights to receive cash flows from the asset have been expired;
- The Company has transferred its rights to receive cash flows from the asset, or assumed an obligation to pay cash flows received in full without delay to a third party under a "pass" arrangement; (a) substantially transferred all the risks and rewards of the asset; or (b) transferred control over the asset and the Company has neither transferred nor retained substantially the risks and rewards of the financial asset.

Hedge accounting
IFRS 9 hedge accounting requirements do not apply to the Company since it does not have any hedging contracts.

3-6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU)" fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of non-financial assets (continued)

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

3-7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and deposits with original maturities of less than three months from the date of acquisition. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3-8 Expenses

Selling and distribution expenses and general and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under IFRS. Allocations between cost of sales, selling and distribution expenses and general and administrative expenses, when required, are made on a consistent basis.

3-9 Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Earnings per share from operating profit and net profit is calculated by dividing the profit or loss attributable to the Company’s ordinary shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

3-10 Provisions

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

3-11 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Riyals at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Saudi Riyals at the foreign exchange rate ruling at that date. Gains or losses arising on exchanges are recognized in the statement of profit or loss currently.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-12 Tax

The Company is subject to tax in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). Provision for tax for the Company is charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3-13 Employees' benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of assessing benefits is determined under the defined benefit plan using the projected unit credit method.

Re-measurements for actuarial gains and losses are recognized in the statement of financial position with a corresponding credit to retained earnings through statement of other comprehensive income in the year in which they occur.

Re-measurements are not classified to the statement of profit or loss in subsequent periods. Costs are expenses related to defined benefit obligations that are recognized in statement of profit or loss.

3-14 Segment reporting

An operating segment is a part of the Company's business activities from which revenue can be recognized and expenses are incurred and includes income and expenses relating to transactions with any of the other components of the Company. All operational results of the operating segments are reviewed by the Company's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

3-15 Offsetting

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

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

3-16 Leases

Operating lease payments are recognized as expenses in the statement of profit or loss on a straight line basis over the lease term. The Company does not have any finance lease arrangements.

3-17 Settlement date of accounting

Regular sale and purchase of financial assets are recognized on the settlement date. Regular sales and purchases are sales or purchases of financial assets that require delivery of assets within a specified period of time that is generally performed through a market regulation or agreement.

(Saudi Riyals)

4. ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below: The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4-1 Defined benefit plans

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4-2 Contingent assets and liabilities

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash at banks and cash on hand:

	31 December 2019	31 December 2018
Cash at bank – current accounts	**70,018,664**	56,890,757
Cash in hand	**39,019**	19,979
	70,057,683	56,910,736

6. TRADE AND OTHER ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Trade receivables (6-1)	**18,720,596**	5,543,201
Prepaid expenses	**1,280,132**	1,310,294
Employees' advances and loans	**1,025,907**	1,328,490
Accrued income	**--**	889,244
Other accounts receivable	**97,937**	163,837
	21,124,572	9,235,066

(Saudi Riyals)

6. TRADE AND OTHER ACCOUNTS RECEIVABLE (CONTINUED)

6-1 Trade receivables

	31 December 2019	31 December 2018
Margin trade receivables	**--**	4,368,463
Financial companies and institutions	**18,720,596**	1,174,738
	18,720,596	5,543,201

As at 31 December 2019, there was no impairment of trade receivables with a carrying value of SR 18.720.596 (31 December 2018: SR 5.543.201) as the Company has collaterals for all balances due to margin trade receivables represented in equity shares.

7. INVESTMENTS AT FVOCI

This investment represents the Company’s share of investment in mutual funds established by EFG-Hermes Saudi Arabia to enhance working capital.

	31 December 2019	31 December 2018
EFG Hermes Saudi fund (*)	--	5,224,152
EFG Hermes Hasaad Freestyle Saudi Equity Fund (*)	--	4,678,550
	--	9,902,702

	31 December 2019	31 December 2018
Balance at the beginning of the year	**9,902,702**	9,282,194
Movement in fair value of investments at FVOCI	**--**	620,508
Disposals during the year	**(11,442,481)**	--
Unrealised gain from sale investments at FVOCI	**1,539,779**	--
Balance at end of the year	**--**	9,902,702

(*) On 23 April 2019, the Company sold the investment in mutual funds (EFG-Hermes Saudi Fund and EFG Hermes Hasaad Freestyle Saudi Equity Fund) for an amount of SR 11.442.481.

(Saudi Riyals)

8. PROPERTY AND EQUIPMENT

	31 December 2019						31 December 2018
	Furniture and fixtures	**Computers**	**Telecommuni-cation equipment**	**Electric appliances**	**Motor vehicles**	**Total**	Total
Cost							
As at 1 January	2,487,951	14,228,960	1,537,850	1,054,747	427,200	19,736,708	19,327,888
Additions made during the year	--	990,040	69,862	42,000	--	1,101,902	408,820
Disposals during the year	--	--	--	(126,000)	--	(126,000)	--
As at 31 December	**2,487,951**	**15,219,000**	**1,607,712**	**970,747**	**427,200**	**20,712,610**	**19,736,708**
Accumulated depreciation							
As at 1 January	2,465,020	13,629,234	1,509,555	940,747	371,700	18,916,256	18,596,691
Additions made during the year	15,605	260,483	15,041	26,100	55,500	372,729	319,565
Disposals during the year	--	--	--	(126,000)	--	(126,000)	--
As at 31 December	**2,480,625**	**13,889,717**	**1,524,596**	**840,847**	**427,200**	**19,162,985**	**18,916,256**
Net book value							
As at 31 December 2019	**7,326**	**1,329,283**	**83,116**	**129,900**	**--**	**1,549,625**	
As at 31 December 2018	22,931	599,726	28,295	114,000	55,500		820,452

Property and equipment fully depreciated:

As at 31 December 2019, the balance of property and equipment fully depreciated amounted to SR 18.602.820 (2018SR: 18.304.340).

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(Saudi Riyals)

9. TRADE AND OTHER ACCOUNTS PAYABLE

	31 December 2019	31 December 2018
Due to related parties (note 10-1)	**7,401,353**	9,332,669
Accrued expenses	**5,646,245**	1,480,509
Provision for tax claims	**390,675**	500,000
Provision for Withholding tax	**--**	132,043
Value-added tax (VAT)	**121,536**	48,682
Other payables	**294,196**	155,693
	13,854,005	11,649,596

10. TRANSACTION WITH RELATED PARTIES

The Company enters into transactions with related parties in its ordinary course of business. These transactions are carried out at mutually agreed terms, and are approved by Company’s management. The transactions and volume of balances at the end of the year were as follows:

10.1 Due to related parties

		Amount of transactions		**Balance as at**	
Related parties’ name	**Nature of relationship**	**2019**	2018	**31 December 2019**	31 December 2018
EFG Hermes Holding (1)	Holding Company	**1,008,974**	813,072	**7,235,720**	8,915,790
EFG Hermes MENA Securities (2)	Subsidiary of the Holding Company	**1,857,293**	2,116,575	**165,633**	416,879
				7,401,353	9,332,669

1) The nature of transaction with the holding company is represented in repayment of expenses on behalf of the Company and providing financial support when necessary. During the year a transfer from the holding company for 100 million US dollar equipment to 375 million Saudi riyals, which repaid during the year.

2) The nature of transactions made with the EFG Hermes MENA Securities as per the Capital Market Authority's resolution No. 2-28-2008 dated 17 Shaban 1429 H (corresponding to 18 August 2008) including the approval given to the authorized persons to conclude swap agreements with non-resident foreign persons whether they are financial institutions or individuals, in order to transfer the economic benefits of shares related to Saudi companies listed in the Saudi Stock Exchange (Tadawul) in favor of these persons. The authorized persons shall maintain the legal ownership of the shares according to the provisions and terms of the said resolution. Accordingly, the Company concluded the SWAP agreement with EFG Hermes MENA Securities. As per these agreements and in accordance with the provisions and terms of the said resolution, the Company purchases the shares of the Saudi companies listed on the Saudi Stock Exchange (Tadawul) in favor of the mentioned company. The market value of those shares amounted to SR 443,614,284 as at 31 December 2019 (SR 657.601.456 as at 31 December 2018). The total revenue resulted form this transaction amounted to SR 1,430,986 as at 31 December 2019 (SR 1.621.137 as at 31 December 2018).

3) There is an amount under trade and other accounts payables due to EFG-Hermes UAE. During the year, the Company agreed with EFG-Hermes UAE to cooperate in the coverage of Saudi Aramco's subscription for 20% of the coverage fees from Saudi Aramco.The total amount owed to EFG-Hermes UAE amounted to SR 378,853 in which the Company recorded it under accrued expenses and not under due to the related parties, as the supporting documents were received after the date of the financial statements. Accordingly, the Company’s management has recorded it under accrued expenses as at 31 December 2019.

(Saudi Riyals)

10. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

10.2 Board of Directors' remuneration and related expenses

Following are the breakdown for Board of Directors' remuneration and related expenses during the year ended 31 December:

	31 December 2019	31 December 2018
Remuneration of independent key management personnel	**40,000**	--
	40,000	--

11. EMPLOYEES' BENEFITS OBLIGATIONS

a) Movements in the net liabilities recognized in the statement of financial position and their components are as follows:

	31 December 2019	31 December 2018
Balance as at the beginning of the year	**4,669,803**	5,832,646
Provided for during the year (Note 11.b)	**716,880**	802,590
Actuarial loss / (gain) from re-measurement of employees' benefits obligations	**286,098**	(331,462)
Paid during the year	**(1,155,008)**	(1,633,971)
Balance as at end of the year	**4,517,773**	4,669,803

b) Amounts recognized included in statement of profit or loss:

	31 December 2019	31 December 2018
Current service cost	**553,300**	601,964
Interests of current service cost	**163,580**	200,626
	716,880	802,590

c) The significant assumptions used in determining end of service benefit obligations for the Company's plans are shown below:

	31 December 2019	31 December 2018
Discount rate	**3.75%**	4٪
Salary increases	**+3٪**	+3٪

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

	As at 31 December 2019		As at 31 December 2018	
	Increase (1%)	**Decrease (1%)**	Increase (1%)	Decrease (1%)
Discount rate	**4,125,932**	**4,976,308**	4,375,465	5,005,169
Future salary increase rate	**4,508,201**	**4,527,393**	5,005,169	4,370,058

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined employees' benefits obligation as a result of reasonable changes in key assumptions occurring at the end of reporting period.

(Saudi Riyals)

12. SHARE CAPITAL

The Company's share capital of SR 86.529.540 (2018: SR 86.529.540) divided into 8.652.954 shares (2017: 8.652.954 shares) at SR 10 each. All shares are owned by non-Saudi entities.

As at 31 December 2019 and 2018, the Company's share capital is as follows:

			31 December 2019		31 December 2018	
Name of Shareholder	**Share capital Share holdings %**	**Nominal Value**	**No. of shares**	**Value**	No. of shares	Value
EFG Hermes Holding Company	73.1	10	6,325,309	63,253,090	6,325,309	63,253,090
EFG Hermes Advisory Inc.	26	10	2,249,768	22,497,680	2,249,768	22,497,680
EFG Hermes Promoting and Underwriting Company	0.5	10	43,265	432,650	43,265	432,650
EFG Hermes Securities Brokerage	0.2	10	17,306	173,060	17,306	173,060
EFG-HERMES Bonds Trading Company	0.2	10	17,306	173,060	17,306	173,060
	100		8,652,954	86,529,540	8,652,954	86,529,540

13. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2019	2018
Salaries and other employees' benefits	**5,071,561**	3,856,231
Advisory fees	**1,095,922**	972,362
Travel expenses	**186,223**	233,514
Maintenance, insurance and security expenses	**287,058**	169,087
Depreciation	**74,546**	63,913
Others	**216,180**	406,972
	6,931,490	5,702,079

14. FINANCE COSTS, NET

	For the year ended 31 December	
	2019	2018
Finance costs	**1,301,760**	453,124
Service cost interest income for employees' benefits (Note 11)	**163,580**	200,626
Interest income on short-term deposits	**(262,008)**	--
	1,203,332	653,750

(Saudi Riyals)

15. STATUTORY RESERVE

In accordance with Companies 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 reserve is not available for distribution to the shareholders.

16. INCOME TAX

(a) Tax Status

Tax returns are submitted to the General Authority of Zakat and Tax "GAZT" on a regular basis. Tax returns have been filed up to and including the year 2018. The Company has received restricted certificates for these years, which will expire on 30 April 2019.

The components of income tax base for the year are as follows:

	31 December 2019	31 December 2018
Total revenue	**39,556,875**	18,328,686
Total expenses	**(27,000,011)**	(22,164,602)
Income / (loss) for the year	**12,556,864**	(3,835,916)
Add:		
Employees' benefits obligations	**716,880**	802,590
Less:		
Difference between accounting depreciation and tax depreciation	**(715,167)**	(786,832)
Others	**(1,018,130)**	(1,633,971)
Utilized brought forward losses	**(2,885,112)**	--
Tax base income/(loss)	**8,655,335**	(4,667,297)
Income tax	**1,731,067**	--

Income tax
The Company files tax returns on a regular basis in accordance with the regulations of the General Authority for Zakat and Tax "GAZT". The Commission reviewed the company's tax returns for the years from 2007 to 2013 and issued a tax assessment those years. No tax differences were due and tax losses were recognized. For the years 2014 up to and including the year 2017, GAZT has reviewed tax returns for these years and has not notified the Company for any tax differences, despite that the Company's returns realize losses. The Company has been notified of withholding tax differences for years 2014 up to and including the year 2016 and have been fully paid. The Company filed Zakat declaration for the year 2018.

Value-added tax (VAT)
GAZT has reviewed the monthly tax returns up to the second quarter of 2019 and there were no tax differences. GAZT has reviewed the tax returns for the third quarter of 2019 and the Company was notified of the tax differences that were challenged and supporting documents for the view of the Company were provided to GAZT.

(Saudi Riyals)

16. INCOME TAX (CONTINUED)

(b) Unrecognized Deferred Tax Assets

Deferred tax assets mentioned below have not been recognized as it is uncertain if future taxable profits will be available to utilize these assets against. Movement in the deferred tax assets is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	**22,205,929**	21,454,998
Depreciation	**(143,033)**	(157,366)
Provisions	**143,376**	160,518
Gain from sale of property and equipment	**(2,885,112)**	(326,794)
Carrying forward accumulated losses	**--**	1,074,574
	19,321,160	22,205,929

17. SEGMENT REPORTS

The segments of the Company are mainly brokerage, which specializes in activities acting in the capacity of principal or agent in domestic and international securities and finance for the purpose of purchasing securities and custody, asset management, which specializes in activities of investment funds and portfolio management, and investment sector which involves the activities of arranging and advisory.

The following are the basic financial performance for each sector:

Selected financial information as of 31 December and for the year then ended summarized by the above business segments, is as follows:

	Brokerage Segment	**Asset Management Segment**	**Investment Segment**	**Total**
For the year ended 31 December 2019				
OPERATING REVENUES	**27,614,307**	**539,430**	**10,409,265**	**38,563,002**
Cost of revenue	**(16,789,303)**	**(533,485)**	**(1,279,190)**	**(18,601,978)**
Gross profit	**10,825,004**	**5,945**	**9,130,075**	**19,961,024**
For the year ended 31 December 2018				
Operating revenues	15,176,856	2,463,450	--	17,640,306
Cost of revenue	(12,407,601)	(1,946,688)	(1,453,027)	(15,807,316)
Gross profit	2,769,255	516,762	(1,453,027)	1,832,990

Due to the nature of Company's activity and management style, it is not practical to allocate Company's assets and liabilities according to different segments.

The Company's revenue generated from the brokerage sector outside the Kingdom through a related party (Note 10) amounted to SR 1.430.986 representing 5.2% of total brokerage revenues for the year ended 31 December 2019 (31 December 2018: SR 1.621.137 representing 10.6%).

18. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Company's principal financial liabilities comprise of trade receivables, payables under settlement and due to related parties. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as cash and cash equivalents, trade receivables and accrued revenues which arise directly from its operations, and employees' loans and advances.

The Company is exposed to market risk, credit risk, liquidity risk and operational risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and risk appetite. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Management reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of four types of risk: interest rate risk, currency risk, profit rate risk and price risk such as equity price risk.

- *Interest risk*

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. Management monitors the changes in interest rates risks and believes that interest rate risks to the Company are not significant, and all companies facilities on short term basis, and no balances utilize as the date of the reporting.

- *Currency Risk*

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on purchases and financing arrangements that are denominated in a currency other than the respective functional currency of the Company. The majority of the Company's transactions are denominated in Saudi Riyals and US Dollars which have a fixed exchange rate to the functional currency. Therefore, they are not considered to represent a significant risk to the Company.

- *Profit rate risk*

The Company's financial assets and liabilities subject to profit rate risk are not considered to represent a significant risk to the Company.

- *Equity price risk*

The Company has quoted investments carried at fair value through other comprehensive income where the impact of changes in equity prices will be reflected due to fair value changes, on disposal or when they are deemed to be impaired. Fair value changes are reflected in fair value reserve. Impairment losses or losses on disposal will be reflected in the statement of other comprehensive income.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The company is not exposed to credit risk from its operating activities (primarily for trade receivables). The Company has no significant concentration of credit risk. Cash is placed with local banks having sound credit ratings.

(Saudi Riyals)

18. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

18. Risk management of financial instruments (continued)

The ageing analysis of these trade receivables is as follows:

	31 December 2019	31 December 2018
1-30 days	**18,720,596**	5,543,201
	18,720,596	5,543,201

The following analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity dates based on the remaining year at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Value	**1 - 2 Months or Less**	**3 months to 1 year**	**2 - 3 Years**	**2 - 5 Years**	**Over 5 years**
31 December 2019						
Trade and other accounts payables	**13,188,375**	**13,188,375**	**--**	**--**	**--**	**--**
	13,188,375	**13,188,375**	**--**	**--**	**--**	**--**
31 December 2018						
Trade and other accounts payable	10,687,227	10,687,227	**--**	**--**	**--**	**--**
	10,687,227	10,687,227	**--**	**--**	**--**	**--**

c) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities and the Company's shareholders to meet the Company's commitments and obligations as they become due.

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company has unutilized short-term bank facilities from a local bank. The maximum limit of this credit facility as at 31 December 2019 amounted to SR 1.016.000.00 (2018: SR 1.016.000.000).

19. FAIR VALUE

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balances, financial assets held at fair value through other comprehensive income (FVOCI), and trade receivable and other debit balances. Financial liabilities consist of trade and other payables.

The Company's financial assets and financial liabilities are measured at amortized cost except for financial assets at fair value through other comprehensive income (FVOCI) which are carried at fair value.

(Saudi Riyals)

19. FAIR VALUE (CONTINUED)

Change in fair value recognized in equity:

	31 December 2019	31 December 2018
Net change in fair value of financial assets held at FVOCI	**--**	4620,508

The fair value of the financial assets and liabilities is reported at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Bank balances, trade and other receivables, trade and other payables, accruals and other liabilities and due to related parties, their carrying amounts approximate to their fair values largely due to the short-term maturities of these instruments.
- The fair values of unquoted financial assets held at FVOCI are obtained from the valuation performed by an investment management company.

Fair Value Hierarchy:
The table below analyses financial instruments, by the level in the fair value hierarchy into which the fair value measurement is categorized.

	Level 1	**Level 2**	**Level 3**	**Total**
As at 31 December 2019				
Financial assets measured at fair value	**--**	**--**	**--**	**--**

	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Financial assets measured at fair value	**9,902,702**	**--**	**--**	**9,902,702**

20. CAPITAL MANAGEMENT

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

Description.

	31 December 2019	31 December 2018
Capital base:		
Tier-1 Capital (a)	**72,629,035**	57,410,781
Tier-2 Capital (a)	**--**	3,138,775
	72,629,035	60,549,556
Minimum Capital Requirement		
Credit Risk	**12,554,127**	8,590,547
Operational risk	**6,750,003**	5,541,151
Market risk	**43,106**	60,309
Total (b)	**19,347,236**	14,192,007
Surplus in capital	**53,281,236**	46,357,549
Total Capital Ratio	**3,75**	4,27

(Saudi Riyals)

20. CAPITAL MANAGEMENT (CONTINUED)

a) Capital Base of the Company comprise of
   - Tier-1 capital consists of paid-up share capital and accumulated losses.
   - Tier-2 capital consists of unrealized gain of investments at fair value through statement of comprehensive income.

b) The minimum capital requirements for credit and operational risk are calculated as per the requirements specified in the Rules.

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 bases.

21. FINANCIAL INSTRUMENTS

Statement of financial position

Financial assets:	**31 December 2019**	1 January 2018
Investments at FVOCI	**--**	9,902,702
Trade and other accounts receivable	**19,844,441**	9,235,066
Cash and cash equivalents	**70,057,683**	56,910,736
	89,902,124	76,048,504

Financial liabilities:	**31 December 2019**	31 December 2018
Trade and other accounts payable	**13,188,375**	10,687,227
Total	**13,188,375**	10,687,227

22. ASSETS UNDER MANAGEMENT

Under the authorized persons regulations of Capital Market Authority which require separating clients funds from Company funds, the Company holds clients funds in a group account with a local bank for executing its operations and managing its activities as at 31 December 2019. Clients cash accounts held with a local bank amounted to SR 781 million (2018: SR 273 million), therefore, these balances are not included in the financial statements.

23. BASIC AND DILUTED EARNINGS / (LOSSES) PER SHARE

Earnings per share from profit is calculated by dividing net profit or loss for the year by the weighted average number of shares outstanding during the year.

	31 December 2019	31 December 2018
Net income / (loss) for the year	**10,825,797**	(3,835,916)
Weighted average number of ordinary shares outstanding during the year	**8,652,954**	8,652,954
Basic and diluted income / (loss) per share of the net income / (loss) for the year	**1,25**	(0,44)

24. DATE OF APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 19 Rajab 1440H (corresponding to 4 March 2020).