UBS Saudi Arabia
(A Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

INDEX TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UBS SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY)

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International 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 endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UBS SAUDI ARABIA
(A CLOSED JOINT STOCK COMPANY) (continued)

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

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

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

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)

Riyadh: 2 Sha'ban 1441H
(26 March 2020)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019* SR	*2018* SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	8	**189,752**	777,207
Right-of-use asset	9	**4,192,234**	-
Deferred tax asset	11	**1,755,741**	1,878,737
TOTAL NON-CURRENT ASSETS		**6,137,727**	2,655,944
CURRENT ASSETS			
Prepayments and other assets	7	**591,636**	1,163,247
Amounts due from related parties	17	**2,458,102**	4,019,178
Cash and cash equivalents	6	**107,635,277**	101,187,127
TOTAL CURRENT ASSETS		**110,685,015**	106,369,552
TOTAL ASSETS		**116,822,742**	109,025,496
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	13	**110,000,000**	110,000,000
Accumulated losses		**(1,790,898)**	(5,989,818)
TOTAL SHAREHOLDERS' EQUITY		**108,209,102**	104,010,182
NON-CURRENT LIABILITIES			
Employees' terminal benefits	12	**2,266,813**	2,714,509
Lease liability - non-current portion	9	**3,002,262**	-
TOTAL NON-CURRENT LIABILITIES		**5,269,075**	2,714,509
CURRENT LIABILITIES			
Accrued expenses and other liabilities	10	**1,355,401**	1,320,353
Income tax payable	11	**809,118**	785,807
Amounts due to related parties	17	**177,427**	194,645
Lease liabilities - current portion	9	**1,002,619**	-
TOTAL CURRENT LIABILITIES		**3,344,565**	2,300,805
TOTAL LIABILITIES		**8,613,640**	5,015,314
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**116,822,742**	109,025,496

The accompanying notes 1 to 23 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	***2019*** ***SR***	*2018* *SR*
Service fees	14.1	**17,235,685**	15,350,445
Special commission income	14.2	**2,478,908**	1,967,121
TOTAL REVENUE		**19,714,593**	17,317,566
General and administrative expenses	15	**(15,531,773)**	(14,503,712)
OPERATING PROFIT		**4,182,820**	2,813,854
Rental income	16	**-**	703,364
PROFIT BEFORE TAX		**4,182,820**	3,517,218
Income tax charge for the year	11	**(932,114)**	(777,806)
NET PROFIT FOR THE YEAR		**3,250,706**	2,739,412
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of employees' terminal benefits	12	**948,214**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,198,920**	2,739,412

The accompanying notes 1 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	Share capital SR	*Accumulated losses SR*	*Total SR*
Balance as at 31 December 2017	110,000,000	(8,729,230)	101,270,770
Net profit for the year	-	2,739,412	2,739,412
Other comprehensive income	-	-	-
Total comprehensive income	-	2,739,412	2,739,412
Balance as at 31 December 2018	110,000,000	(5,989,818)	104,010,182
Net profit for the year	-	**3,250,706**	**3,250,706**
Other comprehensive income	-	**948,214**	**948,214**
Total comprehensive income	-	**4,198,920**	**4,198,920**
Balance as at 31 December 2019	**110,000,000**	**(1,790,898)**	**108,209,102**

The accompanying notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	***31 December 2019*** ***SR***	*31 December 2018* *SR*
Operating activities			
Profit before tax		**4,182,820**	3,517,218
Adjustments for:			
Depreciation of right-of-use assets	9	**1,071,117**	-
Depreciation of property and equipment	8	**599,098**	1,365,849
Provision for employee defined benefit liabilities	12	**500,518**	365,414
Financial charges on lease liabilities	9	**192,392**	-
Operating cash flows before working capital changes		**6,545,945**	5,248,481
Changes in operating assets and liabilities:			
Prepayments and other assets		**273,749**	455,496
Amounts due from related parties		**1,561,076**	(371,554)
Accrued expenses and other liabilities		**35,048**	(596,753)
Amounts due to related parties		**(17,218)**	148,596
Net cash from operations		**8,398,600**	4,884,266
Income tax paid	11	**(785,807)**	(536,458)
Net cash flows from operating activities		**7,612,793**	4,347,808
Investing activity			
Purchase of property and equipment	8	**(11,643)**	-
Cash used in investing activity		**(11,643)**	-
Financing activity			
Repayment of lease liabilities	9	**(1,153,000)**	-
Cash used in financing activity		**(1,153,000)**	-
Net increase in cash and cash equivalents		**6,448,150**	4,347,808
Cash and cash equivalents at the beginning of the year		**101,187,127**	96,839,319
Cash and cash equivalents at the end of the year	6	**107,635,277**	101,187,127
Significant non-cash transactions			
Right-of-use assets	9	**5,263,351**	-
Lease liabilities	9	**(4,965,489)**	-
Prepaid rent reclassified to right of use assets	9	**(297,862)**	-
Re-measurement gain on employees' terminal benefits	12	**(948,214)**	-

The accompanying notes 1 to 23 form part of these financial statements.

1 COMPANY INFORMATION AND ACTIVITIES

UBS Saudi Arabia (the "Company") is a closed joint stock company registered with the Capital Market Authority ("CMA") under license number 08113-37 dated 4 Rajab 1429H (corresponding to 7 July 2008) to conduct securities business. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010257812 dated 6 Dhul Qadah 1429H (corresponding to 4 November 2008). The Company is licensed as dealing agent (except in Saudi Arabian stock exchange), underwriting, managing client portfolios, arranging, advising and custody securities. The registered address of the Company is Tatweer Towers, Tower 4, King Fahad road, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia.

The Company is owned 99.96% by UBS Saudi Arabia Holding Limited, 0.01% by S.G. Securities U.K. Limited, 0.01% by S.G. Warburg and Company Limited, 0.01% by UBS AG Switzerland and 0.01% by UBS UK Holding Limited. The Company is ultimately owned by UBS Switzerland AG.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”) and in compliance with the provisions of Companies’ Law and the Company’s By-laws.

The Company has adopted from 1 January 2019 IFRS 16 - Leases, accounting policy for this new standard is disclosed in note 3.1 and impacts relating to this new adopted standard are disclosed in note 9.

The financial statements have been prepared on a historical cost basis except otherwise stated. These financial statements are presented in Saudi Riyals (“SR”), which is the functional and presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements unless otherwise stated.

3.1 New standards, interpretation and amendments adopted by the Company

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified simplified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretation and amendments adopted by the Company (continued)

IFRS 16 – Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses is and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of two to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of commercial space due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., up to three years) and there will be a significant negative effect on operation if a replacement is not readily available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretation and amendments adopted by the Company (continued)

IFRS 16 – Leases (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	SR
Assets	
Right-of-use assets	**4,965,489**
Prepayments	**297,862**
	5,263,351
Liability	
Lease liabilities	**4,965,489**
	5,263,351
Total adjustment on shareholders' equity	**-**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018.

	2019
	SR
Operating lease commitments as at 31 December 2018	**6,150,386**
Weighted average incremental borrowing rate as at 1 January 2019	**4.00%**
Discounted operating lease commitments as at 1 January 2019	**4,965,489**
Lease liabilities as at 1 January 2019	**4,965,489**

The Company has not used the practical expedients of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. In adopting IFRS 16, the Company has applied the following practical expedients:

- the use of a single discount rate to a portfolio leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with remaining lease term of less than 12 months as at 1 January 2019;
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

On adoption of IFRS 16, the Company has recognised lease liabilities and associated right-of-use assets in relation to contract that has been concluded as lease under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets are measured at the amount equal to the lease liabilities, adjusted by the amount of prepayments relating to the leases recognised in the statement of financial position for the year ended 31 December 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was 4.00%.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretation and amendments adopted by the Company (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

This IFRIC addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions and determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of this clarification does not have any material impact on the financial statements during the year.

3.2 Significant accounting policies

Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

A liability is classified as current when:

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

The Company classifies all other liabilities as non-current.

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. 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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of term deposits with original maturities of three months or less from the purchase date, bank balances and cash on hand, which are available to the Company without any restriction.

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission method, less provision for impairment. Such provisions are charged to profit or loss in the statement of comprehensive income and reported under "General and administrative expenses". When receivables are uncollectible, they are written-off against the provision for expected credit losses. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the statement of comprehensive income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of comprehensive income when incurred as repairs and maintenance.

The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the individual item of property and equipment. Depreciation is charged to the statement of comprehensive income. The estimated useful lives of the assets are as follows:

Leasehold improvements	10 years or lease term whichever is lower
Furniture and fixtures	10 years
Office equipment	1 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation on addition and disposal of items of property and equipment is computed on a pro-rata basis.

Any additions below the threshold set by the Company and expenditure for repairs and maintenance are charged to profit or loss in the statement of comprehensive income.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and carrying amount of the asset and are included in profit or loss in the the statement of comprehensive 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Provisions and accruals

Accounts payable and accruals are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at the reporting date and adjusted to reflect current best estimates. When the company expects some or all a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' benefits

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees. Employees’ benefits includes: short-term employee benefits, post-employment benefits and other long-term employee benefits.

Short term employee benefits

When an employee has rendered service to the Company during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid as an expense. Accumulated leave, which is expected to be utilized within the next twelve months, is treated as a short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment obligation

The Company operates a post-employment benefit scheme driven by the labour laws of the Kingdom of Saudi Arabia. The post-employment benefits scheme is not funded. Valuation of the obligation under such a scheme is carried out by an independent actuary based on the projected unit credit method. The costs relating to such a scheme primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of comprehensive income as “employee costs” while unwinding of the liability at discount rates used are recorded as a finance cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as a re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from scheme amendments or curtailments are recognised immediately in other comprehensive income as past service costs.

Income tax

Income tax is provided in accordance with the Regulations of the General Authority for Zakat and Tax (the “GAZT”) and on an accrual basis. Income tax related to the Company is charged to the statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Income tax (continued)

Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in KSA.

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognised outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in shareholders' equity.

Revenue recognition
The Company is engaged to act as dealing agent (except in Saudi Arabian stock exchange, underwriting, managing client portfolios, arranging, advising and custody securities.

The Company accounts for services separately on the basis of agreements entered into with clients i.e. if these services and their performance obligations are separately identifiable and a transaction price can be separately allocated and distinct from each other.

The following is a description of principal activities from which the Company generates its revenue.

Arrangement fees
Arrangement fees are recognized when the performance obligations agreed in the contract or service level agreement are satisfied i.e. services are provided.

Commission income
Commission income is recognized on an effective yield basis on the principal amount of term deposits over their maturity period on an accruals basis.

Brokerage income
Income from transaction-type services such as brokerage services for which customers are billed on completion of the deal are recognized when the deal has been executed.

Asset management fees
Fees charged for managing assets are recognized as revenue on the services provided. Subscription fees are recognized upon subscription of the investor to the Fund. Fund performance income is recognized at the year-end, if the fund results meet the annual pre-set target.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

Advisory and other income

Advisory service fees are accrued on a time proportionate basis, as the services are rendered.

Financial instruments

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

i) Financial assets

Classification

On initial recognition, a financial asset is classified as measured at amortized cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL). Financial assets held by the Company, classified under 'Amortised Cost' are receivables, cash equivalents and amounts due from a related party.

Financial assets held at amortised cost

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

- 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 financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI'), on the principal amount outstanding.

Financial assets held at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Special commission and foreign exchange gains or losses are recognised in the statement of comprehensive income.

Equity Instruments

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

Financial assets held at FVTPL

All other financial assets are classified as measured at FVTPL. This may include equity held for trading and debt securities not classified either as AC or FVOCI.

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

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. As part of the convergence, the Company has classified all its investments in funds under FVTPL category.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)
i) Financial assets (continued)

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

ii) Financial liabilities
Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Foreign currency translations
Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Statutory reserve
As required by the Saudi Arabian Regulation for Companies and Company's By-Laws, 10% of the net income for the year (after deducting losses brought forward) is required to be transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. Statutory reserves are not available for distribution. Since the Company has accumulated brought forward losses, no transfers were made in the current and prior year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Fiduciary assets

Assets under management:
The Company offers asset management services to its customers, which include management of wealth and investments. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

Clients' cash accounts:
Clients' cash accounts are not treated as assets of the Company and accordingly are not included in these financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods. The areas involving critical accounting judgements, estimates and significant assumptions concerning the future are discussed below:

i. Estimation of income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 11 to these financial statements. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

ii. Estimation of useful lives and residual value of property and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment loss. Management reviews the useful lives annually, and the depreciation method to make sure that the depreciation method and period are consistent with the expected pattern of the assets' economic benefits. Residual value is determined based on experience and observable data where available.

iii. Provision for expected credit losses on receivables

Management uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

iv Measurement of present value of employees' terminal benefits

The cost of employees' terminal benefits and the present value of such 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 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.

The most sensitive parameters are discount rate and salary growth rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Salary growth rate is based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' terminal benefits are provided in note 12.

5. STANDARS ISSUE BUT NOT YET EFFECTIVE

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

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

6. CASH AND CASH EQUIVALENTS

	2019	*2018*
	SR	*SR*
Cash at banks and deposit		
- time deposit - local currency	**93,000,000**	93,000,000
- Cash at bank - local currency	**4,642,277**	4,208,253
- Cash at bank - foreign currency	**9,983,490**	3,966,197
	107,625,767	101,174,450
Cash on hand	**9,510**	12,677
	107,635,277	101,187,127

Time deposit and bank balances are with a counterparty that has high investment grade credit rating. Investment grade refers to the quality of the counterparty's credit. In order to be considered investment grade, the counterparty must be rated at 'BBB' or higher by Standard and Poor's or Moody's. These balances carry commission at the rate of 2.3% to 2.9% per annum (31 December 2018: 1.8% to 2.9% per annum).

7. PREPAYMENTS AND OTHER ASSETS

	2019	*2018*
	SR	*SR*
Prepaid expenses	**401,755**	742,372
Interest income receivable	**138,179**	159,073
Other assets	**51,702**	261,802
	591,636	1,163,247

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	*Furniture and fixtures*	*Office equipment*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2019	12,539,733	1,902,201	1,307,016	15,748,950
Additions	-	-	11,643	11,643
At 31 December 2019	12,539,733	1,902,201	1,318,659	15,760,593
Depreciation:				
At 1 January 2019	12,108,240	1,829,730	1,033,773	14,971,743
Charge for the year	431,493	72,471	95,134	599,098
At 31 December 2019	12,539,733	1,902,201	1,128,907	15,570,841
Net book value:				
As at 31 December 2019	**-**	**-**	**189,752**	**189,752**
Cost:				
At 1 January 2018	12,539,733	1,902,201	1,033,773	15,475,707
Additions	-	-	273,243	273,243
At 31 December 2018	12,539,733	1,902,201	1,307,016	15,748,950
Depreciation:				
At 1 January 2018	10,916,323	1,655,798	1,033,773	13,605,894
Charge for the year	1,191,917	173,932	-	1,365,849
At 31 December 2018	12,108,240	1,829,730	1,033,773	14,971,743
Net book value:				
As at 31 December 2018	431,493	72,471	273,243	777,207

As at 31 December 2019, the cost of items of property and equipment which are fully depreciated amounts to SR 15,464,090 (31 December 2018: 1,793,954). The outstanding liability as at 31 December 2019 in relation to addition of property and equipment amounted to SR nil (31 December 2018: SR 273,243).

9. IMPACT OF ADOPTION OF IFRS 16

The Company has adopted IFRS 16 from its mandatory adoption date of 1 January 2019 using the modified simplified retrospective approach as permitted under the specific transition provision in the standard. As a result, comparative of the year ended 31 December 2018 are not restated.

Set out below are the carrying amounts of right-of-use assets and the movement during the year:

	2019 ***SR***
At the beginning of the year	**5,263,351**
Depreciation expenses (note 15)	**(1,071,117)**
	4,192,234

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

	2019 ***SR***
At the beginning of the year	**4,965,489**
Unwinding of discount	**192,392**
Payments during the year	**(1,153,000)**
At the end of the year	**4,004,881**
Current portion	**1,002,619**
Non-current portion	**3,002,262**
At the end of the year	**4,004,881**

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019 ***SR***	*2018* *SR*
Accrued expenses	**1,273,459**	1,139,410
Withholding taxes payable	**49,930**	28,159
Value added tax (VAT) payable	**32,012**	152,784
	1,355,401	1,320,353

11. INCOME TAX PAYABLE

a) *Charge for the year*

The income tax charged to the statement of comprehensive income for the current year is as follows:

	2019	*2018*
	SR	*SR*
Current income tax (see note (b))	**809,118**	785,807
Deferred income tax (see note (c))	**122,996**	(8,001)
	932,114	777,806

b) *Movements in provision*

The liability for income tax recognized in the statement of financial position is as follows:

	2019	*2018*
	SR	*SR*
At the beginning of the year	**785,807**	536,458
Provision for the year	**809,118**	785,807
Payments made during the year	**(785,807)**	(536,458)
At the end of the year	**809,118**	785,807

The current year provision is based on 20% of the adjusted taxable profit. Differences between the financial and taxable profit are mainly due to provisions and certain expenses, which are disallowed for tax purposes.

c) *Deferred income tax*

The Company has recognized a deferred tax asset amounting to SR 1,755,741 (31 December 2018: SR 1,878,737) as at the reporting date, in respect of timing differences due to disallowance of employee defined benefit liabilities, the difference in basis of depreciation, and the tax losses carried forward calculated at an effective income tax rate of 20%.

The Deferred tax asset recognized in the statement of financial position and its movement for the year is as follows:

	2019	*2018*
	SR	*SR*
At the beginning of the year	**1,878,737**	1,870,736
Movement during the year	**(122,996)**	8,001
At the end of the year	**1,755,741**	1,878,737

The net balance of deferred taxation is in respect of the following temporary differences is as follows:

	2019	*2018*
	SR	*SR*
Accelerated tax depreciation allowance	**512,379**	466,049
Provision of employees` benefits	**643,005**	542,902
Tax losses carried forward	**600,357**	869,786
	1,755,741	1,878,737

11. INCOME TAX PAYABLE (continued)

d) Status of assessment

The Company has filed its income tax returns with the General Authority of Zakat and Tax ("GAZT") for all the years ended up to 31 December 2018. Assessments have been agreed with the GAZT for all years up to 31 December 2014. Tax assessments have not been finalized by GAZT for the years ended from 31 December 2015 to 31 December 2018.

12. EMPLOYEES' TERMINAL BENEFITS

The following tables summarise the components of the employees' terminal benefits recognised in the statement of financial position and its components are as follows:

	2019	*2018*
	SR	*SR*
At the beginning of the year	**2,714,509**	2,349,095
Current service cost	**391,938**	271,450
Interest cost on employees' terminal benefits	**108,580**	93,964
Actuarial gains	**(948,214)**	-
At the end of the year	**2,266,813**	2,714,509

The amounts recognized in the statement of comprehensive income are as follows:

	2019	*2018*
	SR	*SR*
Profit or loss:		
Current service cost	**391,938**	271,450
Interest cost on employees' terminal benefits	**108,580**	93,964
	500,518	365,414
Other comprehensive income:		
Remeasurement gain recognized in OCI	**(948,214)**	-

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

	2019	*2018*
Discount rate	**2.70%**	4.00%
Salary growth rate	**1.00%**	1.00%

The Company's demographic assumption i.e. withdrawal rate was moderate as at 31 December 2018 and 31 December 2019.

12. EMPLOYEES' TERMINAL BENEFITS (continued)

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

	2019	*2018*
	SR	*SR*
Discount rate		
1% increase	**256,985**	50,426
1% decrease	**(301,970)**	(51,405)
Salary increase rate		
1% increase	**(307,109)**	(124,811)
1% decrease	**265,829**	124,811

13. SHARE CAPITAL

As at 31 December 2019, the authorized, issued and fully paid-up share capital of the Company is SR 110 million divided into 11 million shares (31 December 2018: 11 million shares) with a par value of SR 10 each.

The shareholding of the Company's issued and fully paid-up share capital is as follows:

	Ownership percentage	*Number of shares*	*Share capital SR*
UBS Saudi Arabia Holding Limited (a BVI Company)	**99.96%**	**10,995,600**	**109,956,000**
S.G. Securities U.K. Limited	**0.01%**	**1,100**	**11,000**
S.G. Warburg & Company Limited	**0.01%**	**1,100**	**11,000**
UBS Switzerland AG	**0.01%**	**1,100**	**11,000**
UBS UK Holding Limited	**0.01%**	**1,100**	**11,000**
	100.00%	**11,000,000**	**110,000,000**

14. REVENUE

	Notes	***2019 SR***	*2018 SR*
Service and other fees	14.1	**17,235,685**	15,350,445
Special commission income	14.2	**2,478,908**	1,967,121
		19,714,593	17,317,566

14.1 All income is generated from following related parties:

	2019 SR	*2018 SR*
UBS Switzerland AG	**15,101,947**	10,104,575
UBS AG London Branch	**2,133,738**	5,245,870
	17,235,685	15,350,445

14.2 This income is earned on term deposits placed in banks as disclosed in note 6 of these financial statements.

15. GENERAL AND ADMINISTRATION EXPENSES

	Notes	***2019*** ***SR***	*2018* *SR*
Employee related cost		**7,726,222**	6,561,824
Maintenance expenses		**3,044,535**	2,295,029
Professional and consulting fee		**1,136,072**	993,875
Depreciation on right-of-use assets	9	**1,071,117**	-
Depreciation on property and equipment	8	**599,098**	1,365,849
Withholding taxes		**464,132**	343,957
Contract staff cost		**251,047**	240,134
Travelling and conveyance		**217,530**	169,517
Financial charges on lease liabilities	9	**192,392**	-
Telecommunication charges		**156,075**	208,168
License fees		**140,760**	253,250
Rent expenses		**-**	1,806,083
Others		**532,793**	266,026
		15,531,773	14,503,712

16. RENTAL INCOME

	2019 ***SR***	*2018* *SR*
Rental income	**-**	703,364

This income is earned on the sub-lease of office space. Since the Company does not own the property nor has a finance lease over the office premises, the property does not fulfill the criteria of an investment property and hence, is not accounted for as such. The sub-lease agreement ended during 2018.

17. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company transacts business with its related parties which include its shareholders and their affiliated companies, the Board of Directors, and key management personnel. Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

The significant transactions with related parties during the year and the related amounts are as follows:

Name of related party	*Nature of transactions*	*Amount of transactions*	
		2019	*2018*
		SR	*SR*
UBS Switzerland AG	Service fee income (see note (a) & (b))	**15,101,946**	10,104,57
	Reimbursement of expenses	**-**	(2,234)
UBS AG London Branch	Service fee income (see note (a))	**2,133,738**	5,245,870
UBS AG Stamford Branch	Maintenance expenses (IT)	**2,788,347**	2,117,615
	Reimbursement of expenses	**(56,225)**	(159,872)
Board of Directors ("BOD")	Board fees to independent board member	**99,000**	60,000
Key management personnel	Salaries	**1,613,547**	1,179,875
	Post-employment benefits paid	**116,909**	98,323

a) The Company has signed service agreements to reflect any support services provided to the booking centers UBS Switzerland AG and UBS AG London Branch. The service fee is charged on the basis of a mark-up on expenses (excluding income tax) incurred by the Company.

Service and arranging fee income are recognized when the related services are performed and are accounted for on an accrual basis.

b) UBS Switzerland AG is the custodian of the Company's client assets and money amounting to SR 292.7 million (31 December 2018: SR 292.7 million) as at the reporting date. Control functions including reconciliation controls are performed by the custodian (see note 21).

In addition to related party balances disclosed elsewhere in the financial statements, the following are the balances with related parties at the reporting date:

	2019	*2018*
	SR	*SR*
a) Amounts due from related parties		
UBS Switzerland AG (Affiliate)	**2,165,593**	2,532,784
UBS AG London Branch (Affiliate)	**292,509**	1,486,394
	2,458,102	4,019,178
b) Amounts due to related parties		
UBS AG Stamford Branch (Affiliate)	**177,427**	194,095
UBS Switzerland AG (Affiliate)	**-**	550
	177,427	194,645

As at 31 December 2019 and 31 December 2018, amounts due from related parties were neither past due nor impaired and have no default history. The ageing analysis of these receivables are not relevant as such.

18. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks namely credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk). The Company's overall risk management policies focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner describe in the notes below.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, accrued commission receivable and receivables due from related parties. It is management's assessment that the Company is not subject to significant credit risk since balances with banks are kept with reputable banks with high credit ratings and receivables are solely from related parties.

The carrying amounts of financial assets exposed to credit risk at the reporting date are as follows:

	2019	*2018*
	SR	*SR*
Cash in bank (note 6)	**107,625,767**	101,174,450
Amounts due from related parties (note 17)	**2,458,102**	4,019,178
Commission income receivable (note 7)	**138,179**	159,073
	110,222,048	105,352,701

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company`s total credit exposure. The Company`s total credit risk with respect of financial assets is mostly concentrated in balance with reputable banks and receivables from its related parties.

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management recorded loss allowance amounting to SR 50,894 for cash in banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that sufficient cash and cash equivalents are available to meet liabilities as they arise. As at the reporting date there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

18. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

31 December 2019	*Less than one year* *SR*	*More than one year* *SR*	*Total* *SR*
Accrued expenses and other payables	**1,355,401**	**-**	**1,355,401**
Amounts due to related parties	**177,427**	**-**	**177,427**
Lease liabilities	**1,118,000**	**3,465,800**	**4,583,800**
	2,650,828	**3,465,800**	**6,116,628**
31 December 2018			
Accrued expenses and other payables	1,320,353	-	1,320,353
Amounts due to related parties	194,645	-	194,645
	1,514,998	-	1,514,998

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations on its receivables and bank balances denominated in Swiss Francs which is not considered to be significant. Apart from that, the Company did not undertake significant transactions in currencies other than Saudi Riyals or US Dollars during the year and is therefore not exposed to significant currency risk.

Commission rate risk

Commission rate risk is the risk that the value of financial instruments or its future cash flows will fluctuate due to changes in the market commission rates. The time deposit placed by the Company is a short term fixed interest rate deposit. Apart from that the Company is not subject to any commission rate risk as all other financial assets and liabilities are non-commission bearing.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of the changes in market prices, whether those changes are caused by the factor specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As at the reporting date, the Company has no investments traded in the market which expose them to price risk.

18. FINANCIAL RISK MANAGEMENT (continued)

Financial instruments by category

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	2019	*2018*
	SR	*SR*
Financial assets		
Financial assets at amortized cost:		
Cash at bank and short term deposits (note 6)	**107,625,767**	101,174,450
Amounts due from related parties (note 17)	**2,458,102**	4,019,178
Commission income receivable (note 7)	**138,179**	159,073
	110,222,048	105,352,701
Financial liabilities		
Financial liabilities at amortized cost:		
Accrued expenses (note 10)	**1,273,459**	1,139,410
Amounts due to related parties (note 17)	**177,427**	194,645
	1,450,886	1,334,055

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company has no financial assets measured at fair value. Management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

20. CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

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

	31 December 2019	*31 December 2018*
Capital Base:		
Tier 1 Capital	**106,453,361**	102,131,445
Total Capital Base	**106,453,361**	102,131,445
Minimum Capital Requirement:		
Market Risk	**401,686**	304,556
Credit Risk	**7,631,055**	10,060,080
Operational Risk	**4,115,972**	3,820,380
Total minimum capital required (see note (d) below)	**12,148,713**	14,185,016
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**8.76**	7.20
Tier 1 Capital Ratio (times)	**8.76**	7.20
Surplus / (deficit) in the capital (see note (d) below)	**94,304,648**	87,946,429

a) The capital base consists of Tier 1 capital (which includes share capital and audited retained earnings). The Company does not have Tier 2 capital as defined in article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

b) The Company manages its capital base in light of Pillar I and Pillar Il of the Prudential Rules - the capital base should not be less than the minimum capital requirement.

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

d) The minimum capital required as per Article 6(g) of the Authorized Persons Regulations issued by the CMA in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

e) The Company discloses on an annual basis certain information as per Pillar III of the Prudential Rules for public on the Company's website (http://www.ubssaudiarabia.com). However, these are not subject to review or audit by the external auditors of the Company.

f) Interest rate risk is not calculated on time deposits, as it is not considered part of the trading book.

21. FIDUCIARY ACCOUNT

As at 31 December 2019, the Company has assets under management amounting to SR 292,736,021 (31 December 2018: SR 292,743,731) in a fiduciary capacity. These are not treated as assets of the Company and accordingly are not included in these financial statements. UBS Switzerland AG is the custodian of the Company's client assets.

22. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

No events have occurred subsequent to the reporting date and before the issuance of these financial statements, which require adjustments to and/or disclosure in these financial statements.

23. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved the financial statements on 2 Sha'ban 1441H (corresponding to 26 March 2020).