

**MIZUHO SAUDI ARABIA COMPANY  
(A SAUDI CLOSED JOINT STOCK  
COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

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

**Opinion**

We have audited the financial statements of Mizuho Saudi Arabia Company - a Saudi Closed Joint Stock Company - (the "Company"), which comprise of the statement of financial position as at 31 December 2019, and statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and 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 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 Company's Bylaws, 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.

The management is responsible for overseeing the Company's financial reporting process.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

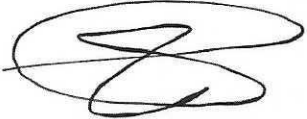
**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY) - (continued)**

**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 management 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



Yousef A. AlMubarak  
Certified Public Accountant  
License No 427

Riyadh: 22 Rajab 1441H  
(17 March 2020)



Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		<i>31 December 2019</i>	<i>31 December 2018</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	14	1,328,375	-
Property and equipment	6	126,705	343,275
Intangible assets	7	104,150	140,908
Deferred tax assets	16	285,226	286,195
<b>Total non-current assets</b>		<b>1,844,456</b>	<b>770,378</b>
<b>Current assets</b>			
Prepayments and other assets	8	960,613	1,497,183
Term deposits	10	50,000,000	55,000,000
Cash and cash equivalents	9	19,274,590	8,713,959
<b>Total current assets</b>		<b>70,235,203</b>	<b>65,211,142</b>
<b>TOTAL ASSETS</b>		<b>72,079,659</b>	<b>65,981,520</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	18	75,000,000	75,000,000
Accumulated losses		(7,164,816)	(14,752,056)
Actuarial valuation reserve	11	768,578	386,587
<b>Total shareholders' equity</b>		<b>68,603,762</b>	<b>60,634,531</b>
<b>Non-current liability</b>			
Employee defined benefit liabilities	11	93,646	640,831
<b>Current liabilities</b>			
Accrued expenses and other payables	12	901,229	3,667,490
Lease liability – current portion	14	843,407	-
Contract liabilities	13	285,393	285,181
Income tax payable	16	1,352,222	753,487
<b>Total current liabilities</b>		<b>3,382,251</b>	<b>4,706,158</b>
<b>TOTAL LIABILITIES</b>		<b>3,475,897</b>	<b>5,346,989</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>72,079,659</b>	<b>65,981,520</b>

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

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Advisory revenue		<u>16,113,478</u>	<u>19,370,195</u>
<b>TOTAL REVENUE</b>		<u>16,113,478</u>	<u>19,370,195</u>
General and administrative expenses	15	(7,447,001)	(15,068,319)
Depreciation and amortization		(253,328)	(279,714)
Depreciation of right-of-use assets	14	<u>(817,102)</u>	<u>-</u>
<b>TOTAL EXPENSES</b>		<u>(8,517,431)</u>	<u>(15,348,033)</u>
Special commission income		1,480,972	1,002,486
Other income		47,050	-
Interest expense (leases)	14	<u>(65,731)</u>	<u>-</u>
<b>Profit before tax</b>		<u>9,058,338</u>	<u>5,024,648</u>
Income tax expenses	16	<u>(1,471,098)</u>	<u>(825,758)</u>
<b>Profit for the year</b>		<u>7,587,240</u>	<u>4,198,890</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on defined benefit liabilities	11	381,991	417,268
<b>Total comprehensive income</b>		<u>7,969,231</u>	<u>4,616,158</u>

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

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	<i>Share capital</i> <b>SR</b>	<i>Accumulated losses</i> <b>SR</b>	<i>Actuarial valuation reserve (note 11)</i> <b>SR</b>	<i>Total</i> <b>SR</b>
As at 1 January 2019	75,000,000	(14,752,056)	386,587	60,634,531
Profit for the year	-	7,587,240	-	7,587,240
Other comprehensive income	-	-	381,991	381,991
Total comprehensive income	-	7,587,240	381,991	7,969,231
<b>As at 31 December 2019</b>	<b>75,000,000</b>	<b>(7,164,816)</b>	<b>768,578</b>	<b>68,603,762</b>
As at 1 January 2018	75,000,000	(18,950,946)	(30,681)	56,018,373
Profit for the year	-	4,198,890	-	4,198,890
Other comprehensive income	-	-	417,268	417,268
Total comprehensive income	-	4,198,890	417,268	4,616,158
<b>As at 31 December 2018</b>	<b>75,000,000</b>	<b>(14,752,056)</b>	<b>386,587</b>	<b>60,634,531</b>

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



Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019 SR</b>	<b>2018 SR</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>9,058,338</b>	5,024,648
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of right-of-use assets	14	<b>817,102</b>	-
Depreciation	6	<b>216,570</b>	242,956
Amortization of intangible assets	7	<b>36,758</b>	36,758
Interest expense (leases)	14	<b>65,731</b>	
Employee defined benefit liabilities, net	11	<b>(165,194)</b>	(189,283)
Gains on disposal of property and equipment		<b>(10,000)</b>	-
Special commission income		<b>(1,480,972)</b>	(1,002,486)
Operating cash flows before movements in working capital		<b>8,538,333</b>	4,112,593
<b><i>Movements in working capital</i></b>			
(Increase) decrease in prepayments and other assets		<b>(37,416)</b>	2,063,967
(Decrease) increase in accrued expenses and other payables		<b>(2,766,261)</b>	2,789,977
Increase in contract liability		<b>212</b>	285,181
		<b>5,734,868</b>	9,251,718
Special commission income received		<b>1,555,277</b>	408,125
Payment of interest portion of lease liabilities	14	<b>(47,993)</b>	-
Income tax paid	16	<b>(871,394)</b>	(354,262)
<b>Net cash generated from operating activities</b>		<b>6,370,758</b>	9,305,581
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Proceeds from disposal of property and equipment		<b>10,000</b>	-
Movement in term deposit, net		<b>5,000,000</b>	(10,000,000)
<b>Net cash from (used in) investing activity</b>		<b>5,010,000</b>	(10,000,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities	14	<b>(820,127)</b>	-
<b>Net cash used in financing activities</b>		<b>(820,127)</b>	-
Increase (decrease) in cash and cash equivalents		<b>10,560,631</b>	(694,419)
Cash and cash equivalents at the beginning of the year	9	<b>8,713,959</b>	9,408,378
<b>Cash and cash equivalents at the end of the year</b>	9	<b>19,274,590</b>	8,713,959
<b>Non-cash flow information</b>			
Right of use assets	14	2,145,477	-
Lease liability	14	1,645,796	-
Remeasurement gain on defined benefit liabilities	11	381,991	417,268

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

# Mizuho Saudi Arabia Company (A Saudi Closed Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019

### 1. INCORPORATION AND ACTIVITIES

Mizuho Saudi Arabia Company (the “Company”) is a Saudi closed joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430 H (corresponding to 15 February 2009). The Company is registered with the Capital Market Authority (“CMA”) under license numbered 11158-30. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the Company has also obtained a license from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008). The registered office is located at North lobby 1st floor, Al Faisaliah Tower, King Fahad Road, Riyadh 11544, KSA.

The Company is solely authorised by CMA to conduct the activities of arranging and advising in securities business.

The financial statements were authorised for issue in accordance with a resolution of the directors on 16 March 2020.

### 2. BASIS OF PREPARATION

#### 2.1 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred as “IFRS as endorsed in KSA”).

#### 2.2 *Judgments and estimates*

The preparation of the financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies as discussed in note (5).

#### 2.3 *Basis of measurement, presentation and functional currency*

These financial statements have been prepared on a historical cost basis except for the measurement of the Employees’ defined benefit that is determined at the present value of future liabilities using the expected unit credit method. These financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional and presentation currency and all values are rounded to the nearest SR, except when otherwise indicated.

#### 2.4 *New and amended standards and interpretations*

The Company applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### **IFRS 16 – Leases**

IFRS 16 replaces IAS 17 ‘Leases’ (“IAS 17”), IFRIC 4 ‘Whether an arrangement contains a lease’ (“IFRIC 4”), 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 has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified simplified transition approach as permitted under the specific transition provisions in the standard. As a result, comparatives have not been restated.

# Mizuho Saudi Arabia Company (A Saudi Closed Joint Stock Company)

## NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

### 2 BASIS OF PREPARATION (continued)

#### 2.4 New and amended standards and interpretations (continued)

##### **IFRS 16 – Leases (continued)**

In adopting IFRS 16, the Company has applied the following practical expedients:

- not to reassess whether a contract contains a lease or not, 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 use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- exclusion of initial direct costs for the measurement of the right-of-use asset 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

As at 1 January 2019, the Company has recognized lease liabilities amounting to SR 1,645,796. The amount has been adjusted by prepayments amounting to SR 499,681 in order to recognize right-of-use assets amounting to SR 2,145,477 in relation to contracts that have been concluded as leases 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. The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepayments relating to that lease recognized in the statement of financial position at 1 January 2019. The Company's weighted average incremental borrowing rate applied to the lease liabilities was 5%.

The following table shows the reconciliation of operating lease commitments under IAS 17 to the lease liability under IFRS 16 on 1 January 2019:

	<i>1 January 2019</i>
	<i>SR</i>
Operating lease commitments disclosed as at 31 December 2018	1,736,240
Discounted using the Company's incremental borrowing rate	(90,444)
Lease liability recognized as at 1 January 2019	<u>1,645,796</u>

##### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation 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. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance study that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

##### **Amendments to IAS 19: Plan Amendment, Curtailment or Settlement**

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The amended standards 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 amended standards, if applicable, when they become effective.

***Amendments to IAS 1 and IAS 8: Definition of Material***

In October 2018, the International Accounting Standards Board ("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 in the period of initial application.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies applied by the Company in preparing these financial statements.

***Current versus non-current classification***

The Company presents assets and liabilities in the statement of financial position based on 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, if market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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.

For assets and liabilities that are recognised 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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

***Revenue from contracts with customers***

***Advisory fees***

The Company is in the business of conducting the activities of arranging and advising in securities business. Revenue from contracts with customers is recognised overtime when the services are delivered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has concluded that it is the principal in its revenue arrangements.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Other income is recognised when earned.

NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of - profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***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 recognised 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 utilised.

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 recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in statement of comprehensive income ("OCI") or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Mizuho Saudi Arabia Company  
(A Saudi Closed Joint Stock Company)

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Value added tax***

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

***Foreign currency transactions and balances***

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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 recognises 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.

***Property and equipment***

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use.

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property and equipment (continued)***

The Company applies the following annual rates of depreciation to its property and equipment:

Leasehold improvements	10%
Furniture and fixtures	20%
Computer hardware	20%
Motor vehicles	20%

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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

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.

***Leases***

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Company as a lessee***

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

***i) 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, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Buildings are depreciated over the lease term of 2-3 years.

***ii) 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) that depend on a rate.

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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing liabilities.



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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Intangible assets***

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 20% to its computers' software and accounted for on a straight-line basis.

An intangible asset is derecognized on disposal (i.e., at the date the recipient obtains control), or when no future economic benefits are expected from use or disposal. Any gain or loss arising upon derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

***Impairment of tangible and intangible assets***

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income..

***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.

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

*i) Financial assets*

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For the purpose of subsequent measurement, all Company's financial assets are classified at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortised cost of the financial instrument. The (EIR) (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the (EIR).

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

**Term Deposits**

Term deposits consist of deposits with a local bank with a maturity of 6 months from the date of the acquisition.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

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

NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Financial instruments (continued)*

*i) Financial assets (continued)*

**Impairment**

For trade receivables, if any, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*ii) Financial liabilities*

**Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs. At 31 December 2019, all Company's financial liabilities are classified at amortised cost.

**Subsequent measurement**

After initial recognition, interest-bearing liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss and other comprehensive income.

*Other payable and lease liabilities*

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

*iii) 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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the the statement of profit or loss and other comprehensive income net of any reimbursement.

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Statutory reserve***

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the capital. The Company has not recorded any transfer for the year due to the losses incurred.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure 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.

***Judgements***

In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

***Estimates and assumptions***

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 discussed 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.

***Provision for expected credit losses of trade receivables***

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted. At 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. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

***Economic useful lives of property and equipment***

The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

***Extension and termination options***

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

***Defined benefit plans***

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation 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 parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AAA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

**Taxes**

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 utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has SR 13,993,377 (2018: SR 16,247,080) of tax losses carried forward. These losses relate to prior years' results.

If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by SR 2,798,675.

**Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the implicit interest rate in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company does not enter into financing transactions therefore; it estimates the IBR using the IBR of the parent company that is obtained from the centralized treasury, which is adjusted for the company's specific and country's specific risk premium.

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**6. PROPERTY AND EQUIPMENT**

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer hardware SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
<b>Cost:</b>					
At 1 January 2018	1,583,099	323,579	1,056,672	408,550	<b>3,371,900</b>
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2018	1,583,099	323,579	1,056,672	408,550	<b>3,371,900</b>
Additions	-	-	-	-	-
Disposals	-	-	-	(20,000)	-
<b>At 31 December 2019</b>	<b>1,583,099</b>	<b>323,579</b>	<b>1,056,672</b>	<b>388,550</b>	<b>3,371,900</b>
<b>Depreciation:</b>					
At 1 January 2018	1,292,864	317,186	970,064	205,555	<b>2,785,669</b>
Charge for the year	158,310	960	38,576	45,110	<b>242,956</b>
Disposals	-	-	-	-	-
At 31 December 2018	1,451,174	318,146	1,008,640	250,665	<b>3,028,625</b>
Charge for the year	131,925	960	38,575	45,110	<b>216,570</b>
Disposals	-	-	-	(20,000)	-
<b>At 31 December 2019</b>	<b>1,583,099</b>	<b>319,106</b>	<b>1,047,215</b>	<b>275,775</b>	<b>3,245,195</b>
<b>Net book value:</b>					
<b>At 31 December 2019</b>	-	<b>4,473</b>	<b>9,457</b>	<b>112,775</b>	<b>126,705</b>
At 31 December 2018	131,925	5,433	48,032	157,885	343,275

Mizuho Saudi Arabia Company  
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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**7. INTANGIBLE ASSETS**

	<i>Leasehold improvements SR</i>	<i>Total SR</i>
<b>Cost:</b>		
At 1 January 2018	1,268,127	<b>1,268,127</b>
Additions	-	-
At 31 December 2018	1,268,127	<b>1,268,127</b>
Additions	-	-
<b>At 31 December 2019</b>	<b>1,268,127</b>	<b>1,268,127</b>
<b>Amortization:</b>		
At 1 January 2018	1,090,461	<b>1,090,461</b>
Amortization for the year	36,758	<b>36,758</b>
At 31 December 2018	1,127,219	<b>1,127,219</b>
Amortization for the year	36,758	<b>36,758</b>
<b>At 31 December 2019</b>	<b>1,163,977</b>	<b>1,163,977</b>
<b>Net book value:</b>		
<b>At 31 December 2019</b>	<b>104,150</b>	<b>104,150</b>
At 31 December 2018	140,908	140,908

**8. PREPAYMENTS AND OTHER ASSETS**

	<i>2019 SR</i>	<i>2018 SR</i>
Accrued income	<b>628,473</b>	702,778
Prepayments	<b>159,239</b>	588,308
Deposits with others	<b>90,315</b>	118,020
Other assets	<b>82,586</b>	88,077
	<b>960,613</b>	1,497,183

**9. CASH AND CASH EQUIVALENTS**

	<i>2019 SR</i>	<i>2018 SR</i>
Cash at bank and cash in hand	<b>19,274,590</b>	8,713,959
	<b>19,274,590</b>	8,713,959

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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**10. TERM DEPOSITS**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Term deposits with a local bank	<b>50,000,000</b>	55,000,000
	<b>50,000,000</b>	55,000,000

Term deposits SR 50,000,000 (2018: SR 55,000,000) have an original maturity of six months. The effective commission rate on term deposits as at 31 December 2019 was 2.5% (2018: 2.5%).

**11. EMPLOYEE DEFINED BENEFIT LIABILITIES**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Balance at the beginning of the year	<b>640,831</b>	1,247,382
Current service cost	<b>242,140</b>	339,956
Interest cost	<b>27,056</b>	44,064
Actuarial gain	<b>(381,991)</b>	(417,268)
Benefit paid	<b>(434,390)</b>	(573,303)
Balance at the end of the year	<b>93,646</b>	640,831

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Discount rate	<b>3.85%</b>	5.25%
Withdrawal	<b>5.00%</b>	5.00%
Rate of salary increases	<b>5.00%</b>	5.00%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain (loss), which is recognized in other comprehensive income.

Movements in actuarial gains recognised in OCI are as follows:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
At the beginning of the year	<b>386,587</b>	(30,681)
Remeasurement (loss) gain – effect of changes in financial assumptions	<b>(163,669)</b>	87,681
Remeasurement gain – effect of experience adjustments	<b>545,660</b>	329,587
Balance at the end of the year	<b>768,578</b>	386,587

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Increase in discount rate of 1%	<b>17,576</b>	96,706
Decrease in discount rate of 1%	<b>(23,267)</b>	(120,314)
Increase in rate of salary increase of 1%	<b>(22,726)</b>	(119,365)
Decrease in rate of salary increase of 1%	<b>17,554</b>	97,748



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NOTES TO FINANCIAL STATEMENTS (continued)

As at 31 December 2019

**11. EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)**

The following are the expected payments to the defined benefit in future years:

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Within the next 12 months	<b>498</b>	20,176
Between 2 and 5 years	<b>20,421</b>	169,809
Beyond 5 years	<b>299,287</b>	640,293

**12. ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
Accrued expenses	<b>891,714</b>	3,582,035
Other payables	<b>9,515</b>	85,455
	<b>901,229</b>	3,667,490
<b>Analyzed between:</b>		
Current Liabilities	<b>901,229</b>	3,667,490
Non-Current Liabilities	-	-
<b>Current accrued expenses and other payables</b>	<b>901,229</b>	3,667,490

Terms and conditions of the above financial liabilities:

- Other payables are non-interest bearing and have a term of three months.

**13. CONTRACT LIABILITIES**

	<b>2019</b> <b>SR</b>	<b>2018</b> <b>SR</b>
<b>Contract liabilities</b>		
Current	<b>285,393</b>	285,181
<b>Total contract liabilities</b>	<b>285,393</b>	285,181

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related services. Contract liabilities are recognised as revenue when the Company performs under the contract.

**14. LEASES**

The Company has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms of 2 and 3 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

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

	<b>Buildings</b> <b>SR</b>	<b>Total</b> <b>SR</b>
As at 1 January 2019	2,145,477	<b>2,145,477</b>
Depreciation expense	(817,102)	<b>(817,102)</b>
<b>At 31 December 2019</b>	<b>1,328,375</b>	<b>1,328,375</b>

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NOTES TO FINANCIAL STATEMENTS (continued)

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**14. LEASES (continued)**

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

	<i>Buildings</i> <i>SR</i>	<i>Total</i> <i>SR</i>
As at 1 January 2019	1,645,796	<b>1,645,796</b>
Accretion of interest	65,731	<b>65,731</b>
Payment of principal portion of lease liabilities	(820,127)	<b>(820,127)</b>
Payment of interest portion of lease liabilities	(47,993)	<b>(47,993)</b>
<b>At 31 December 2019</b>	<b>843,407</b>	<b>843,407</b>
Current	843,407	<b>843,407</b>
Non-Current	-	-

The following are the amounts recognised in profit or loss:

	<i>2019</i>
Depreciation expense of right-of-use assets	<b>817,102</b>
Interest expense on lease liabilities	<b>65,731</b>
<b>At 31 December 2019</b>	<b>882,833</b>

**15. GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Employees benefits	<b>5,584,526</b>	10,221,950
Professional Fees	<b>952,175</b>	879,329
Travelling and related costs	<b>266,579</b>	587,848
Information technology related expenses	<b>218,783</b>	140,219
Withholding Tax	<b>88,279</b>	220,480
Insurance charges	<b>44,477</b>	17,778
Rent	<b>28,125</b>	618,120
Other	<b>264,057</b>	2,382,595
	<b>7,447,001</b>	15,068,319

**16. TAXATION**

**16.1 Income Tax**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Current taxation-current year	<b>1,352,222</b>	742,562
Tax adjustment for prior years	<b>117,907</b>	-
Deferred tax adjustment for the year (see note (16.2))	<b>969</b>	83,196
	<b>1,471,098</b>	825,758

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.

The movement in income tax payable is as follows:

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
Balance at beginning of the year	<b>753,487</b>	365,187
Charged to profit or loss	<b>1,470,129</b>	742,562
Paid during the year	<b>(871,394)</b>	(354,262)
Balance at end of the year	<b>1,352,222</b>	753,487

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**16. TAXATION (continued)**

**16.1 Income Tax (continued)**

Reconciliation of tax expense and the accounting profit multiplied by KSA's domestic tax rate for 2018 and 2019:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Accounting profit before income tax	<b>9,058,338</b>	5,024,648
Add: Non-deductible expenses for tax purposes	<b>390,866</b>	940,942
Less: Utilisation of previously unrecognised tax losses	<b>(2,253,703)</b>	(1,428,704)
Less: Claims	<b>(434,390)</b>	(824,078)
Total taxable income	<b>6,761,111</b>	3,712,808
Income tax expense at 20% reported in the statement of profit or loss	<b>1,352,222</b>	742,562

**16.2 Deferred Tax**

The Company has recognized deferred tax at the reporting date, in respect of timing differences due to disallowance of the employee's defined benefit and differences in the basis of depreciation calculated at an income tax rate of 20%.

Movement in deferred tax asset during the year is

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
At the beginning of the year	<b>286,195</b>	369,391
Adjustment made during the year	<b>(969)</b>	(83,196)
At the end of the year	<b>285,226</b>	286,195

Comprising of:

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Accelerated depreciation	<b>168,468</b>	158,029
Employee defined benefit liabilities	<b>116,758</b>	128,166
	<b>285,226</b>	286,195

**Status of assessments**

The Company has filed its tax declarations with the General Authority for Zakat and Tax (GAZT) up to the year ended 31 December 2018. No assessment has been raised by the GAZT yet.

**17. RELATED PARTY INFORMATION**

The following are the details of the significant transactions with related parties during the year:

<b>Related party</b>	<b>Nature of transaction</b>	<b>2019</b>	<b>2018</b>
		<b>SR</b>	<b>SR</b>
Shareholders	Advisory income	<b>15,942,670</b>	19,077,082
	Expense paid to related party	<b>907,210</b>	820,614

Compensation paid to key management personnel as short-term benefits during the year amounted to SR 2,047,033 (2018: SR 2,533,685).

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**18. SHARE CAPITAL**

The authorized, issued and paid up share capital consists of 7.5 million shares (2018: 7.5 million shares) of SR 10 each.

**19. CONTINGENT LIABILITIES**

The Company had no contingent liabilities in existence at the reporting date.

**20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**20.1 FINANCIAL ASSETS**

	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
<b>Debt instruments at amortised cost:</b>		
Cash and cash equivalents	<b>19,274,590</b>	8,713,959
Term deposits	<b>50,000,000</b>	55,000,000
Accrued income	<b>628,473</b>	702,778
	<b><u>69,903,063</u></b>	<u>64,416,737</u>

Management has conducted a review as required by IFRS 9. Based on such assessment, management believes that there is no need for any significant impairment against the carrying values of cash and cash equivalents, term deposit and accrued income.

**20.2 FINANCIAL LIABILITIES**

	<i>Interest rate</i>	<i>Maturity</i>	<i>2019</i> <i>SR</i>	<i>2018</i> <i>SR</i>
	<u>5%</u>	<u>Less than 1 year</u>	<u>843,407</u>	<u>-</u>
Lease liabilities	5%	Less than 1 year	843,407	-
Other payables	-	Interest free	9,515	85,455
	<u>-</u>	<u>Interest free</u>	<u>9,515</u>	<u>85,455</u>

**20.3 FAIR VALUES**

At 31 December 2019, the fair values of Company's financial assets and financial liabilities approximate the carrying value. These are all categorized within Level 2 of the fair value hierarchy.

**20.4 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's financial liabilities comprise other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets include, cash and short-term deposit and accrued income. The Company is exposed to market risk and credit risk. The Company's management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

**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. The Company is exposed to two types of risk: interest rate risk, and currency risk. Financial instruments affected by market risk include deposits, and debt financial instruments. There were no changes in these circumstances from the previous year.

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As at 31 December 2019

**20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**20.4 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's lease liabilities. The Company does not have any exposure to movements in interest rates on its lease liability at the current or prior reporting date. Consequently, no interest rate sensitivity analysis has been presented.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its cash at bank, deposits with banks and accrued income.

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position.

	<b>2019</b>	<b>2018</b>
	<b>SR</b>	<b>SR</b>
Cash at bank and cash in hand	<b>19,274,590</b>	8,713,959
Term deposits with a local bank	<b>50,000,000</b>	55,000,000
Accrued income	<b>628,473</b>	702,778
Prepayments	<b>159,239</b>	588,308
Deposits with others	<b>90,315</b>	118,020
Other assets	<b>82,586</b>	88,077
	<b>70,235,203</b>	65,211,142

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>31 December 2019</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
Lease liabilities	-	868,120	-	-	<b>868,120</b>
Other payables	9,515	-	-	-	<b>9,515</b>
	<b>9,515</b>	<b>868,120</b>	<b>-</b>	<b>-</b>	<b>877,635</b>
	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b>31 December 2018</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
Other payables	178,507	-	-	-	<b>178,507</b>

**21. EVENTS SUBSEQUENT TO THE REPORTING DATE**

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