

**SAUDI STOCK EXCHANGE COMPANY
(TADAWUL)
(A Saudi Closed Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2019**

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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

Independent auditor's report

To the Shareholders of Saudi Stock Exchange Company

Opinion

We have audited the consolidated financial statements of Saudi Stock Exchange Company ("Tadawul") ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, is responsible for overseeing the Group's consolidated financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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



Independent auditor's report

To the Shareholders of Saudi Stock Exchange Company (continued)

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

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Saudi Stock Exchange Company** ("the Company") and its subsidiaries ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371



6 Sha'ban 1441H
Corresponding to: 30 March 2020

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Saudi Arabian Riyals)

		<u>31 December</u> <u>2019</u>	31 December <u>2018</u>
	<i>Notes</i>		
<u>ASSETS</u>			
Non-current assets			
Property and equipment	4	13,693,404	18,321,065
Intangible assets	5	176,516,175	114,622,164
Equity accounted investee	6	40,996,978	42,607,073
Investments	7	231,554,876	306,327,691
Right of use assets	8	11,271,347	--
Total non-current assets		<u>474,032,780</u>	<u>481,877,993</u>
Current assets			
Investments	7	2,660,288,572	2,616,337,849
Account receivables	9	41,179,879	38,594,342
Prepaid expenses and other current assets	10	102,841,000	31,959,881
Cash and cash equivalents	11	268,487,867	363,178,918
Total current assets		<u>3,072,797,318</u>	<u>3,050,070,990</u>
Total assets		<u>3,546,830,098</u>	<u>3,531,948,983</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	1	1,200,000,000	1,200,000,000
Statutory reserve	12	326,911,746	311,582,367
General reserve	13	1,114,180,214	1,114,180,214
Retained earnings		618,313,284	608,896,618
Total equity		<u>3,259,405,244</u>	<u>3,234,659,199</u>
Non-current liabilities			
Employees' end-of-service benefits	14	77,294,401	72,059,827
Provision for specific obligations	15	--	17,430,875
Total non-current liabilities		<u>77,294,401</u>	<u>89,490,702</u>
Current liabilities			
Lease liability	16	4,263,087	--
Account payables	17	105,383,866	87,268,042
Balance due to Capital Market Authority		22,330,201	56,661,001
Deferred revenue		3,134,967	4,733,107
Accrued expenses and other current liabilities	18	75,018,332	59,136,932
Total current liabilities		<u>210,130,453</u>	<u>207,799,082</u>
Total liabilities		<u>287,424,854</u>	<u>297,289,784</u>
Total equity and liabilities		<u>3,546,830,098</u>	<u>3,531,948,983</u>

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The accompanying notes from (1) through (31) form an integral part of these consolidated financial statements.

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals)

	<i>Notes</i>	For the year ended	
		31 December	
		<u>2019</u>	<u>2018</u>
Operating revenue	19	564,747,899	583,280,040
Operating costs	20	<u>(299,166,486)</u>	<u>(298,503,938)</u>
Gross profit		265,581,413	284,776,102
General and administrative expenses	21	<u>(223,525,052)</u>	<u>(210,520,277)</u>
Operating profit		42,056,361	74,255,825
Investment income	22	94,343,939	79,211,522
Share of loss in equity-accounted investee	6	<u>(1,610,095)</u>	<u>(6,629,084)</u>
Other income		<u>18,503,581</u>	<u>1,348,402</u>
Non-operating profit		111,237,425	73,930,840
Profit for the year		<u>153,293,786</u>	<u>148,186,665</u>
Other comprehensive income:			
<i>Items that will not be reclassified to the consolidated statement of profit or loss</i>			
Re-measurement of employee benefit liability	14	<u>(8,547,741)</u>	20,302,501
Other comprehensive (loss)/income for the year		<u>(8,547,741)</u>	<u>20,302,501</u>
Total comprehensive income		<u>144,746,045</u>	<u>168,489,166</u>
Basic and diluted earnings per share	23	<u>1.28</u>	<u>1.23</u>


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The accompanying notes from (1) through (31) form an integral part of these consolidated financial statements

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
(Saudi Arabian Riyals)

	<i>Notes</i>	Share capital	Statutory reserve	General reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2019		1,200,000,000	311,582,367	1,114,180,214	--	608,896,618	3,234,659,199
<i>Total comprehensive income for the year:</i>							
Profit for the year		--	--	--	--	153,293,786	153,293,786
Other comprehensive income for the year		--	--	--	--	(8,547,741)	(8,547,741)
Dividend	30	--	--	--	--	(120,000,000)	(120,000,000)
Transfer to statutory reserve		--	15,329,379	--	--	(15,329,379)	--
Balance as at 31 December 2019		1,200,000,000	326,911,746	1,114,180,214	--	618,313,284	3,259,405,244
Balance as at 1 January 2018		1,200,000,000	296,763,700	1,114,180,214	9,360,408	567,428,470	3,187,732,792
Effect of the adoption of IFRS 9 on 1 January 2018		--	--	--	(9,360,408)	7,797,649	(1,562,759)
Restated balance at 1 January 2018		1,200,000,000	296,763,700	1,114,180,214	--	575,226,119	3,186,170,033
<i>Total comprehensive income for the year:</i>							
Profit for the year		--	--	--	--	148,186,665	148,186,665
Other comprehensive income for the year		--	--	--	--	20,302,501	20,302,501
Dividend		--	--	--	--	(120,000,000)	(120,000,000)
Transfer to statutory reserve		--	14,818,667	--	--	(14,818,667)	--
Balance as at 31 December 2018		1,200,000,000	311,582,367	1,114,180,214	--	608,896,618	3,234,659,119

The accompanying notes from (1) through (31) form an integral part of these consolidated financial statements.



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SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year end 31 December 2019
(Saudi Arabian Riyals)

	<i>Notes</i>	For the year ended 31 December	
		<u>2019</u>	<u>2018</u>
Cash flows from operating activities			
Profit for the year		153,293,786	148,186,665
<i>Adjustments to reconcile net profit for the year to net cash generated from operating activities:</i>			
Depreciation and amortization	20&21	51,272,542	32,271,083
Charge for credit losses on account receivables		148,493	3,839,671
(Reversal) for impairment on investments held at amortized cost		(342,923)	(65,573)
Loss on sale of property and equipment		--	49,355
Provision for employees' end-of-service benefits	14	10,966,445	14,418,075
Realised gain on investments	22	(5,425,998)	(10,679,758)
Unrealised (gain) on investments	22	(50,234,343)	(3,753,316)
Share of loss in equity-accounted investee	6	1,610,095	6,629,084
Interest expense on lease liability		149,208	--
Reversal of provision for specific obligation		(17,430,875)	--
Changes in operating assets and liabilities:			
Account receivables		(2,734,030)	(15,543,634)
Prepaid expenses and other current assets		(70,881,119)	(7,020,494)
Account payables		18,115,824	36,151,101
Balance due to Capital Market Authority		(34,330,800)	44,779,519
Deferred revenue		(1,598,140)	(1,096,690)
Accrued expenses and other current liabilities		15,881,400	10,625,595
Cash generated from operations		<u>68,459,565</u>	<u>258,790,683</u>
Employees' end-of-service benefits paid	14	(14,279,612)	(13,880,716)
Lease rental paid		(21,584,615)	--
Net cash flows generated from operating activities		<u>32,595,338</u>	<u>244,909,967</u>
Cash flows from investing activities			
Purchase of investments		(1,219,357,541)	(1,224,838,967)
Proceeds from disposal of investments		1,306,182,897	907,992,408
Purchase of intangible assets and property and equipment		(94,111,745)	(57,467,089)
Proceeds from disposal of property and equipment		--	(475,228)
Net cash flows used in investing activities		<u>(7,286,389)</u>	<u>(374,788,876)</u>
Cash flows from financing activities			
Dividend paid		(120,000,000)	(120,000,000)
Net cash used in financing activities		<u>(120,000,000)</u>	<u>(120,000,000)</u>
Net decrease / in cash and cash equivalents		<u>(94,691,051)</u>	<u>(249,878,909)</u>
Cash and cash equivalents at the beginning of the year		<u>363,178,918</u>	<u>613,057,827</u>
Cash and cash equivalents at end of the year		<u>268,487,867</u>	<u>363,178,918</u>

The accompanying notes from (1) through (31) form an integral part of these consolidated financial statements.


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SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

1. GENERAL

Saudi Stock Exchange Company (Tadawul) (“the Company”) is a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010241733 dated 2/12/1428 H (corresponding to 12 December 2007). The Company was established by the Royal Decree no. M/15 dated 01/03/1428 H (corresponding to 20 March 2007) and the Minister of Commerce and Industry resolution no. 320/k dated 1/12/1428 H (corresponding to 11 December 2007). The share capital of the Company is SR 1,200 million divided into 120 million shares of SR 10 each fully subscribed by the Public Investment Fund (“PIF”).

The Company’s main activity is to provide, create and manage the mechanisms of trading of securities, providing depository and registration of securities ownership, dissemination of securities information and engage in any related other activity to achieve the objectives as defined in the Capital Market Law.

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as “the Group”).

The Company’s registered address is as follows:

6897 King Fahd Road - Al Olaya
Unit Number: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia

Subsidiaries

Securities Depository Centre Company (“Edaa”)

Capital Market Authority (“CMA”) Board approved the formation of Securities Depository Centre Company (“Edaa”) as a new Saudi joint stock company in the Kingdom of Saudi Arabia in accordance with the Capital Market Law issued by the Royal Decree no. M/30 dated 06/02/1424 H (corresponding to 22 March 2003). Edaa was registered as a Saudi joint stock company in Riyadh under Commercial Registration no. 1010463866 dated 11/27/1437 H (corresponding to 30 August 2016) with an authorized share capital of SR 400 million divided into 40 million shares of SR 10 each.

As at 31 December 2019, the Company held 100 percent of the issued share capital of Edaa. The main objective of Edaa is to provide depository and registration of securities ownership and clearing services of securities.

Securities Clearing Center Company (“Muqassa”)

The Company’s Board of Directors in their meeting dated 30 October 2017 under a decision number 03-04-2017/04-04-2017 approved the formation of a new company, Securities Clearing Center Company (“Muqassa”). Muqassa was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010935131 dated 02/06/1439 (corresponding to 18 February 2018) with an authorized share capital of SAR 600 million divided into 60 million shares of SR 10 each.

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

1. GENERAL (CONTINUED)

Subsidiaries (continued)

As at 31 December 2019, the Company held 100 percent of the issued share capital of Muqassa. The main objective of Muqassa is to provide, create and manage the mechanisms of trading of securities, providing settlement and clearing services of securities and engage in any other related activity to achieve the objectives as defined in the Capital Market Law. As of reporting date, Muqassa has not commenced its operations.

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as “the Law”) came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its By-laws for any changes to align those with provisions of the Law. Consequently, the Company presented its amended By-laws to stockholders in their Extraordinary General Assembly meeting for their ratification on 2 Jan 2020 and Extraordinary General Assembly approved it.

2.2 *Basis of measurement*

These consolidated financial statements have been prepared on historical cost basis, except for financial assets measured at fair value through profit and loss and at amortized cost, and employees’ end-of-service benefits, which are measured using actuarial techniques, using accrual basis of accounting and the going concern concept.

2.3 *New standards, amendments and standards issued:*

i) New standards, amendment to standards and interpretations:

The Group 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 in note 3.2.

Several other interpretations and amendments apply for the first time in 2019, but do not have an impact on the financial statements of the Group.

ii) Standards issued 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 Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following new standards and amendment to standards are not expected to have a significant impact on the Group’s consolidated financial statements:

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

2 BASIS OF PREPARATION (CONTINUED)

2.3 *New standards, amendments and standards issued (Continued)*

ii) Standards issued but not yet effective (continued)

Standards	Description	Mandatory effective date
IFRS 3	Definition of a Business (amendments)	1 January 2020
IAS 1 and IAS 8	Definition of Material (amendments)	1 January 2020
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS standards	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

2.4 *Functional and presentation currency*

These consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the functional and presentational currency of the Group. All amounts have been rounded to the nearest SAR.

2.5 *Critical accounting estimates and judgments*

The preparation of these consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about material assumptions and estimation uncertainties are as follows:

	Notes
- Useful lives of property and equipment	3.4
- Useful lives of intangible assets	3.5
- Allowance for impairment on investments at amortized cost	3.3
- Allowance for credit losses on accounts receivables	3.3
- Defined benefits obligations – employees’ end-of-service benefits	3.10 & 14
- Provision for specific obligations	15

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated, where policies are applicable only on or from 1 January 2019, those policies have been particularly specified.

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as “the Group”). Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In assessing control, potential voting rights that presently are excisable are taken into account. The financial statements of subsidiaries are included in the IFRS consolidated financial statements from the date that control commences until the date control ceases.

All transactions and resulting balances between the Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

3.2 Adoption of new standard as at 1 January 2019

Effective 1 January 2019, the Group has adopted IFRS 16 - Leases. The impact of the adoption of this standard is explained below:

IFRS 16 Leases

The Group has adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Groups’s Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon the adoption of the new standard. On the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2019, discounted using the Group’s incremental borrowing rate at the time of first time application.

Reconciliation of lease liabilities

	<u>SAR '000</u>
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group’s consolidated financial statements	27,055,400
Discounted using the Company’s weighted average incremental borrowing rate at 1 January 2019	<u>1,356,906</u>
Lease liability recognised at 1 January 2019	<u>25,698,494</u>

Based on the adoption of new standard, the following accounting policies are effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 financial statements.

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Adoption of new standards as at 1 January 2019 (continued)

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets ("ROU")

The company apply cost model, and measure right of use asset at cost;

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Group's incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

3.3 Financial instruments

i. Classification and measurement of financial assets

The classification and measurement of financial assets is set out below:

Under IFRS 9, upon initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- FVTPL.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets at amortized cost

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

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

SAUDI STOCK EXCHANGE COMPANY (TADAWUL)
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For year ended 31 December 2019
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

Financial assets at FVOCI

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

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

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

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

ii. Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value less.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or the Group has opted to measure a liability at fair value through profit or loss.

iii. Derecognition

Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

A financial liability is derecognized when its contractual obligations are discharged or cancelled or expired.

iv. Off-setting

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a currently legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

v. Impairment of financial assets

IFRS 9 uses 'expected credit loss' (ECL) model to assess the impairment of financial assets. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Loss allowances for receivables are always measured at an amount equal to lifetime ECL. Lifetime ECLs result from all possible default events over the expected life of a financial instrument.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivables and investments at amortized cost are presented in the consolidated statement of profit or loss

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property and equipment

Property and equipment except land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is measured at its cost.

Cost includes expenditure that are directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

The cost of replacing part of an item of operating fixed assets is recognized in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of operating fixed assets are recognized in the statement of profit or loss as incurred.

Depreciation

Depreciation is calculated over depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation of an asset begins when it is available for use.

The estimated useful lives for current and comparative periods of different items of property and equipment are as follows:

	Estimated useful lives (years)
Building	30
Furniture and fixtures	10
Computers	4
Office equipment	6
Vehicles	4

Depreciation methods, useful lives, impairment indicators and residual values are reviewed at each annual reporting date and adjusted, if appropriate.

3.5 Intangible assets

These represent software held for use in the normal course of the business and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the statement of profit or loss over an estimated useful life of the software using the straight-line method. The estimated useful life of software is 6 years.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 *Impairment of non-financial assets*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination.

This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss (except against goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 *Investments in associates (investment in equity-accounted investees)*

An associate is an entity over which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Group without any restrictions.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in the statement of profit or loss.

3.10 Defined benefits obligation- employees' end-of-service benefits

Employees' end-of-service benefits are payable to all employees employed under the terms and conditions of the labor laws applicable to the Group.

The Group's net obligation in respect of employees' end-of-service benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods. That benefit is discounted to determine its present value.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

3.11 Revenue recognition

The Group recognises revenue under IFRS 15 using the following five steps model:

- | | |
|--|---|
| Step 1: Identify the contract with customer | A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met. |
| Step 2: Identify the performance obligations | A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. |
| Step 3: Determine the transaction price | The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. |

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (continued)

Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Group recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Dividend income

Dividend income is recognized when the right to receive is established.

Special commission income

Special commission income is recognised in the statement of profit or loss on an effective yield basis.

3.12 Expenses

General and administrative expenses are those arising from the Group's efforts underlying the marketing, consultancy and maintenance functions. Allocations of common expenses between operating costs and general and administrative expenses, when required, are made on a consistent basis.

3.13 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of FVOCI instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.14 Zakat

Based on the GAZT letter number 2999/12 dated 5/6/1429 H, the Group will be subject to Zakat after the initial public offering and the participation of private sector in its share capital in accordance with the approval of the Minister of Finance on GAZT's study regarding this matter dated 24/5/1429 H. In addition, based on the GAZT letter number 16/33008 dated 28/12/1438H, the Group is not subject to Zakat as it is fully owned by the Public Investment Fund (a governmental agency) and hence no provision is recorded in these consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 *Contingent liabilities*

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed in the Group's consolidated financial statements under contingent liabilities.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, 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 recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, management of the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 *Current versus non-current classification*

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

- expected to be realised or intended to sell or consumed in 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

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in 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 Group classifies all other liabilities as non-current

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4. PROPERTY AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Furniture and fixtures</u>	<u>Computers</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost:							
Balance as at 1 January 2018	2,310,985	618,248	21,785,309	152,109,978	18,395,324	1,656,350	196,876,194
Additions	--	--	692,156	1,635,572	318,458	--	2,646,186
Disposals	--	--	(2,216,232)	(48,802,995)	(802,590)	--	(51,821,817)
Balance as at 31 December 2018	2,310,985	618,248	20,261,233	104,942,555	17,911,192	1,656,350	147,700,563
Balance as at 1 January 2019	2,310,985	618,248	20,261,233	104,942,555	17,911,192	1,656,350	147,700,563
Additions	--	--	1,750,929	531,485	870,772	--	3,153,186
Balance as at 31 December 2019	2,310,985	618,248	22,012,162	105,474,040	18,781,964	1,656,350	150,853,749
Accumulated depreciation:							
Balance as at 1 January 2018	--	48,086	17,072,837	136,325,556	16,102,425	1,190,229	170,739,133
Charge for the year	--	20,608	839,299	8,463,836	880,067	209,017	10,412,827
Disposals	--	--	(2,171,022)	(48,800,131)	(801,309)	--	(51,772,462)
Balance as at 31 December 2018	--	68,694	15,741,114	95,989,261	16,181,183	1,399,246	129,379,498
Balance as at 1 January 2019	--	68,694	15,741,114	95,989,261	16,181,183	1,399,246	129,379,498
Charge for the year	--	20,608	668,652	6,246,723	711,364	133,500	7,780,847
Balance as at 31 December 2019	--	89,302	16,409,766	102,235,984	16,892,547	1,532,746	137,160,345
Net book value:							
As at 31 December 2019	<u>2,310,985</u>	<u>528,946</u>	<u>5,602,396</u>	<u>3,238,056</u>	<u>1,889,417</u>	<u>123,604</u>	<u>13,693,404</u>
As at 31 December 2018	<u>2,310,985</u>	<u>549,554</u>	<u>4,520,119</u>	<u>8,953,294</u>	<u>1,730,009</u>	<u>257,104</u>	<u>18,321,065</u>

4.1 The allocation of depreciation expense between operating costs and general and administrative expenses is as follows:

Description	For the year ended 31 December	
	<u>2019</u>	<u>2018</u>
Operating costs	<u>5,424,159</u>	7,209,368
General and administrative expenses	<u>2,356,688</u>	3,203,459
	<u>7,780,847</u>	<u>10,412,827</u>

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5. INTANGIBLE ASSETS

	<i>Note</i>	For the year ended 31 December	
		<u>2019</u>	<u>2018</u>
<u>Cost:</u>			
Balance at beginning of the year		305,731,768	251,256,797
Additions		90,958,559	55,296,131
Disposals/write-off		--	(821,160)
Balance at end of the year		<u>396,690,327</u>	<u>305,731,768</u>
<u>Accumulated amortization:</u>			
Balance at beginning of the year		191,109,604	170,072,508
Charge for the year	5.1	29,064,548	21,858,256
Disposals/write-off		--	(821,160)
Balance at end of the year		<u>220,174,152</u>	<u>191,109,604</u>
Net book value as at 31 December		<u>176,516,175</u>	<u>114,622,164</u>

- 5.1 The allocation of amortization expense between operating costs and general and administrative expenses is as follows:

<u>Description</u>	For the year ended 31 December	
	<u>2019</u>	<u>2018</u>
Operating costs	20,934,192	19,746,261
General and administrative expenses	8,130,356	2,111,995
	<u>29,064,548</u>	<u>21,858,256</u>

6. EQUITY-ACCOUNTED INVESTEE

This represents the Company's share of investment in Tadawul Real Estate Company ("the Associate"), a company incorporated in the Kingdom of Saudi Arabia, where the Company has significant influence. As at 31 December 2019, the Company owns 20% (31 December 2018: 20%) share capital of the Associate. The main activity of the Associate is to develop Tadawul's headquarter in the King Abdullah Financial District, Riyadh.

The movement of investment in the Associate is as follows:

	For the year ended 31 December	
	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	42,607,073	49,236,157
Share of loss for the year	(1,610,095)	(6,629,084)
Balance at end of the year	<u>40,996,978</u>	<u>42,607,073</u>

The Company has recognized its share of loss based on the latest un-audited available financial statements of the Associate.

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6. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

The following table summarizes the financial information of the Associate as included in its latest available un-audited financial statements. The table also reconcile summarized financial information to the carrying amount of the Group's interest in the Associate:

	31 December 2019	31 December 2018
Summarized statement of financial position		
Total current assets	46,147,786	46,515,781
Total non-current assets	1,258,086,427	1,024,509,060
Total current liabilities	86,838,295	30,349,849
Total non-current liabilities	698,646,452	676,637,087
Net assets (100%)	355,987,430	364,037,905
Summarized statement of comprehensive income		
Total comprehensive loss for the year	6,244,804	21,962,037

7. INVESTMENTS

Investment securities portfolios are summarized as follows:

	<i>Notes</i>	31 December 2019	31 December 2018
Non-current			
Investments at amortized cost	7.1	231,554,876	306,327,691
		<u>231,554,876</u>	<u>306,327,691</u>
Current			
Investments at amortized cost	7.2	75,000,000	1,312,561,762
Investments at FVTPL	7.3	2,585,288,572	1,303,776,087
		<u>2,660,288,572</u>	<u>2,616,337,849</u>

7.1 Investments at amortized cost – non-current

This represents investment in Sukuk issued by various counterparties operating in the Kingdom of Saudi Arabia having sound credit ratings. These Sukuk carry an average commission rate of 2.7% during the year 2019 (31 December 2018: 3.15% per annum). The remaining maturity periods of these Sukuk vary between 1 and 6 years. The details of these investments are as follows:

Description	Maturity date	Amount
General Authority of Civil Aviation	18 Jan 2022	100,000,000
Tadawul Real Estate Company	03 Dec 2026	130,000,000

The movement of the expected credit losses on investments held at amortized cost for the years ended 31 December is summarized as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	1,462,752	--
Effect on the adoption of IFRS 9 at 1 January 2018	--	1,536,928
Reversal for the year	(342,923)	(74,176)
Balance at the end of the year	<u>1,119,928</u>	<u>1,462,752</u>

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7. INVESTMENTS (CONTINUED)

7.2 Investments at amortized cost - current

	<i>Notes</i>	31 December 2019	31 December 2018
Sukuk	7.2.1	75,000,000	426,925,624
Murabaha placements	7.2.2	--	885,636,138
Total		<u>75,000,000</u>	<u>1,312,561,762</u>

7.2.1 This represents investment in Sukuk issued by a counterparty which is domiciled in the Kingdom of Saudi Arabia and have a sound credit rating. This investment carries an average special commission rate of 3.14% per annum for the year ended 31 December 2019 (31 December 2018: 4.28% per annum). The details of investment is as follow:

Description	Maturity date	Amount
Savola Group Company	22 Jan 2020	75,000,000

7.2.2 Short-term Murabaha placements were with counterparties domiciled in the Kingdom of Saudi Arabia, having investment grade credit ratings and carried an average special commission rate of 3.78% during the year ended 31 December 2019 (31 December 2018: 3.23% per annum).

7.3 Investments at fair value through profit or loss (“FVTPL”):

This represents investment in unit of mutual funds, which are governed by the regulation issued by CMA. The cost and fair value of investments held at FVTPL are as follows:

	31 December 2019		31 December 2018	
	Cost	Fair value	Cost	Fair value
Money market funds	2,458,092,921	2,548,344,972	1,192,965,777	1,228,320,127
Real estate funds	40,000,000	36,943,600	79,275,000	75,455,960
Total	<u>2,498,092,921</u>	<u>2,585,288,572</u>	<u>1,272,240,777</u>	<u>1,303,776,087</u>

8. RIGHT OF USE ASSETS

Right of use asset related to leased properties.

	31 December 2019	31 December 2018
Balance at 1 January 2019	25,698,494	-
Depreciation charge for the year	(14,427,147)	-
	<u>11,271,347</u>	<u>-</u>

9. ACCOUNT RECEIVABLES

	<i>Notes</i>	31 December 2019	31 December 2018
Account receivables:			
- Related parties	25.1	10,136,265	12,682,167
- Others		37,921,349	32,641,416
Less: Allowance for credit losses	9.1	(6,877,735)	(6,729,241)
		<u>41,179,879</u>	<u>38,594,342</u>

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9.1 The movement in the allowance for credit losses is summarized as follows:

	For the year ended 31 December	
	2019	2018
Balance at the beginning of the year	6,729,241	2,863,739
Effect on the adoption of IFRS 9 at 1 January 2018	--	25,831
Charge for the year	148,494	3,839,671
Balance at the end of the year	6,877,735	6,729,241

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	<i>Note</i>	31 December 2019	31 December 2018
Advance against purchase of property	<i>10.1</i>	77,500,000	
Prepaid insurance expenses		7,767,406	7,672,925
Prepaid rent expenses		--	5,301,243
Accrued operational revenue		5,551,232	5,709,830
Advance to employees		6,232,881	4,377,876
Prepaid maintenance expenses		1,328,331	623,537
Value-added tax (VAT) receivable, net		745,507	1,748,422
Other receivables		3,715,643	6,526,048
		102,841,000	31,959,881

10.1 This represents advance money paid to purchase property for establishing data center.

11. CASH AND CASH EQUIVALENTS

	<i>Note</i>	31 December 2019	31 December 2018
Cash at banks – current accounts		142,140,619	68,823,309
Short-term Murabaha placement	<i>11.1</i>	126,347,248	294,355,609
		268,487,867	363,178,918

11.1 Short-term Murabaha placement is with counter-party having sound credit rating. This placement has an original maturity period of three months or less and carry an average special commission rate of 2.45 % per annum (31 December 2018: 2.7% per annum).

12. STATUTORY RESERVE

In accordance with the Company's By-laws and the Saudi Arabian Regulations for Companies effective on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Group.

13. GENERAL RESERVE

In accordance with the approval of the Chairman of CMA vide letter number 524/2007 dated 31 February 2007, a balance of the retained earnings was transferred to a contractual reserve for the purpose of financing the construction of Tadawul's headquarter in the King Abdullah Financial District and any other future purposes to be decided by the Company's Board of Directors. During the year 2008, the Board of Directors of the Company resolved according to a decision number 6/8/2008 to transfer such balance of the contractual reserve to a general reserve.

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14. EMPLOYEES' END-OF-SERVICE BENEFITS

The movement in employees' end-of-service benefits is as follows:

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Balance at beginning of the year	72,059,827	91,824,969
Current service cost	7,941,617	11,441,606
Interest cost	3,024,828	2,976,469
Amount recognised in profit or loss	10,966,445	14,418,075
Re-measurement loss / (gain) recognized in other comprehensive income	8,547,741	(20,302,501)
Benefits paid during the year	(14,279,612)	(13,880,716)
Balance at the end of the year	77,294,401	72,059,827

14.1 Net end-of-service benefits liability is as follows:

	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
Present value of benefits liability	77,294,401	72,059,827
Fair value of plan assets	--	--
Net defined benefits liability	77,294,401	72,059,827

14.2 Re-measurement loss/(gain) recognized in other comprehensive income for the year is as follows:

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Effect of changes in financial assumptions	6,881,144	(11,490,675)
Effect of changes in demographic assumptions	--	(1,413,332)
Effect of experience adjustments	1,666,597	(7,398,494)
Re-measurement (gain)/ loss recognized in other comprehensive income	8,547,741	(20,302,501)

14.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2018</u>
<u>Key actuarial assumptions</u>		
Discount rate used	2.85%	4.25%
Future growth in salary	5.00%	5.00%
Turnover	Heavy	Heavy
<u>Demographic assumptions</u>		
Retirement Age	64 years	64 years

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14. EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

Discount rate used

This rate is used to obtain the actuarial present value of the projected benefits. As per IAS 19 *Employee Benefits*, the rate to be used to discount post-employment benefit obligations (both funded and un-funded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and expected term of the post-employment benefit obligation. Since there is no deep market for high quality corporate bonds in the Kingdom of Saudi Arabia, therefore, the market yield of government bond is considered.

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 5.00% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. The situation will be kept under review. Salary increments each year are assumed to be given on 1st February.

14.4 Maturity profile of the defined benefit liability

	2019	2018
Weighted average duration (years)	7.48	6.90

Distribution of benefit payments:

	2019	2018
Years	Amount	
1	6,031,485	6,753,017
2	8,573,188	7,810,278
3	7,722,731	7,013,064
4	5,562,937	7,689,513
5	5,380,932	6,038,039
6-10	33,863,686	31,985,063

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	31 December 2019		31 December 2018	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(76,620,657)	82,666,148	(69,444,786)	74,476,710
Future salary growth (0.5% movement)	81,214,900	(77,945,735)	73,243,047	(70,578,235)

14.5 Risks associated with defined benefits plan

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

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15. PROVISION FOR SPECIFIC OBLIGATIONS

At the establishment of the Company, all rights, assets, liabilities, obligations and records were transferred from the Saudi Share Registration Company (a company which existed before the establishment of Tadawul), to the Company as at 30/11/1428H (corresponding to 10 December 2007) under CMA Board Resolution number 1-202-2006 dated 08/02/1427H and the decision of the Council of Ministers number 91 dated 16/04/1424H. Accordingly, the Company is responsible for all obligations arising from the operations of the Saudi Share Registration Company.

The Company had made a provision equal to the amount of net assets transferred from the Saudi Share Registration Company. As at 31 December 2019, the provision was in the amount of SR 17,430,875 (31 December 2018: SR 17,430,875). During the year, the provision is reversed as the Company do not anticipate any further claims in future.

16. LEASE LIABILITY

	<u>Future minimum lease payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
Less than one year	4,412,295	149,208	4,263,087
Between one to five years	--	--	--
More than five years	--	--	--
	<u>4,412,295</u>	<u>149,208</u>	<u>4,263,087</u>

17. ACCOUNT PAYABLES

	<u>31 December 2019</u>	31 December <u>2018</u>
Trade payables	96,877,390	80,314,161
Related parties (<i>Note 25.3</i>)	8,506,476	6,953,881
	<u>105,383,866</u>	<u>87,268,042</u>

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>31 December 2019</u>	31 December <u>2018</u>
Accrued employees expenses	53,625,431	39,599,064
Accrued employees vacation expenses	13,839,268	13,729,007
Accrued social insurance – General Organization for Social Insurance	2,007,831	1,409,935
Others	5,545,802	4,398,926
	<u>75,018,332</u>	<u>59,136,932</u>

19. OPERATING REVENUE

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Trading commission	317,830,780	321,711,062
Securities depository services	123,287,116	137,834,096
Market information services	61,345,104	60,808,776
Listing fee	60,615,484	61,580,174
Other services	1,669,415	1,345,932
	<u>564,747,899</u>	<u>583,280,040</u>

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19. OPERATING REVENUE (CONTINUED)

In accordance with the Council of CMA resolution no. (17/270/6) dated 18 January 2017, operating revenues arrangement between the Group and CMA with effect from 1 January 2017 is as follows:

- CMA is entitled to receive a financial return equal to 64% of total trading commission. The Group shall collect this return on behalf of CMA and deposit into CMA's account based on its instruction; and
- The Group is entitled to keep 100% of operating revenue (except trading commission, which is subject to the above-mentioned return sharing arrangement).

20. OPERATING COSTS

Operating costs include direct expenses incurred by the Group to provide services to its customers and the Saudi Financial Market. A breakdown of operating costs is as follows:

	<i>Notes</i>	For the year ended	
		31 December	
		<u>2019</u>	<u>2018</u>
CMA annual fees (Note 15)	<i>20.1</i>	79,000,000	130,000,000
Salaries and related benefits		108,222,819	92,756,391
Consultancy		3,010,684	1,128,959
Maintenance		32,380,994	21,934,036
Depreciation and amortization	<i>4,5&8</i>	28,459,597	21,217,805
Data network lines		26,094,087	11,085,864
Rent		--	2,854,836
Utilities		820,984	1,434,070
Security guards		1,698,306	1,605,473
Hospitality and cleaning		1,747,784	2,005,667
Allowance for credit losses on accounts receivables	<i>9.1</i>	148,493	3,839,672
SAREE system usage fees		1,016,000	1,162,000
Communication		333,961	694,074
Business Trip		250,173	718,223
Training		3,734,194	911,284
Marketing and sponsorship		9,443,894	1,639,797
License fees		650,277	860,173
Shareholder Relations		--	1,111,251
Others		2,154,239	1,544,363
		<u>299,166,486</u>	<u>298,503,938</u>

- 20.1 This represents fee payable to CMA in relation to services provided by the Group in accordance with the council of CMA resolution no. (17/268/6) dated 18 January 2017. During the year, fee payable to CMA was reduced for years from 2019 to 2023 in accordance with the CMA Board resolution.

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Notes</i>	For the year ended 31 December	
		2019	2018
Salaries and related benefits		134,409,562	130,186,615
Consultancy		21,268,229	18,723,914
Maintenance		12,521,968	14,914,314
Depreciation and amortization	4,5&8	22,812,945	10,469,539
Rent		--	9,515,024
Board of Directors' remuneration and allowances		5,437,049	5,963,239
Security guards		2,090,862	2,073,863
Utilities		1,483,016	1,815,930
Hospitality and cleaning		2,037,188	2,223,833
Communications		980,398	808,431
Business trip		539,316	1,354,745
Trading activities insurance contracts		836,143	915,026
Training		5,498,862	4,088,274
Stationery and office supplies		347,965	383,773
Marketing and sponsorship		4,019,249	393,146
License fees		1,740,880	1,758,147
Allowance for credit losses on investments		(397,187)	(65,573)
Others		7,898,607	4,998,037
		223,525,052	210,520,277

22. INVESTMENT INCOME

	For the year ended 31 December	
	2019	2018
Special commission income	25,901,398	57,918,638
Dividend income	12,782,200	6,859,810
Realised gain on investments, net	5,425,998	10,679,758
Unrealised gain on investments, net	50,234,343	3,753,316
	94,343,939	79,211,522

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing income attributable to the ordinary shareholders of the Company by the weighted average outstanding number of shares for the year ended 31 December 2019, totaling 120 million shares (31 December 2018: 120 million shares).

24. CONTINGENCIES AND COMMITMENTS

Commitments represent the value of the part not yet executed from supply contracts of assets and services to the Group as follows:

	31 December	31 December
	2019	2018
Purchase of assets	13,593,996	26,171,655
Committed expenditure	9,839,370	10,291,394
Letter of guarantee	11,300,000	11,300,000
	34,733,366	47,763,049

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25. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include PIF (“the shareholder”), Tadawul Real Estate Company (“the Associate”), the Group’s Board of Directors, and key executives, and other entities, which are under common ownership through PIF (“Affiliates”) or have common directors on their Board (“Board of Directors”). Transactions are carried out on mutually agreed terms approved by the management of the Group.

25.1 The significant transactions with related parties in relation to the Group’s core activities are as follows:

<u>Nature of relationship</u>	<u>Nature of transactions</u>		<u>Total amount of transactions</u>
	<u>Sales & marketing</u>	<u>Securities depository services</u>	<u>31 December 2019</u>
Affiliates	150,409,830	20,733,676	171,143,506
Board of Directors	62,608,472	-	62,608,472
Board of Directors/Affiliates	107,950,564	-	107,950,564
The associate	-	105,000	105,000
	<u>320,968,866</u>	<u>20,838,676</u>	<u>341,807,542</u>

The receivables balances arising from the above transactions are as follows:

<u>Nature of relationship</u>	<u>For the year ended 31 December 2019</u>			
	<u>Opening balance</u>	<u>Invoiced</u>	<u>Collections</u>	<u>Ending balance</u>
Affiliates	3,134,914	171,143,505	167,991,872	6,286,547
Board of Directors	2,486,452	62,608,472	63,909,674	1,185,250
Board of Directors /Affiliates	6,955,801	107,950,564	112,346,897	2,559,468
The Associate	105,000	105,000	105,000	105,000
Total	<u>12,682,167</u>	<u>341,807,541</u>	<u>344,353,443</u>	<u>10,136,265</u>

<u>Nature of relationship</u>	<u>Nature of transactions</u>		<u>Total amount of transactions</u>
	<u>Sales & marketing</u>	<u>Securities depository services</u>	<u>31 December 2018</u>
Affiliates	134,382,829	19,563,135	153,945,964
Board of Directors	61,436,691	--	61,436,691
Board of Directors/Affiliates	158,513,539	--	158,513,539
The Associate	--	105,000	105,000
Total	<u>354,333,059</u>	<u>19,668,135</u>	<u>374,001,194</u>

<u>Nature of relationship</u>	<u>For the year ended 31 December 2018</u>			
	<u>Opening balance</u>	<u>Invoiced</u>	<u>Collections</u>	<u>Ending balance</u>
Affiliates	2,107,376	153,945,964	(152,918,426)	3,134,914
Board of Directors	8,823	61,436,691	(58,959,062)	2,486,452
Board of Directors / Affiliates	2,200,570	158,513,539	(153,758,308)	6,955,801
The Associate	100,000	105,000	(100,000)	105,000
Total	<u>4,416,769</u>	<u>374,001,194</u>	<u>(365,735,796)</u>	<u>12,682,167</u>

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25. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

25.2 Other balances with related parties included in investments at "FVTPL" are as follows:

<u>Nature of relationship</u>	<u>For the year ended 31 December 2019</u>			
	<u>Opening balance</u>	<u>Purchases/ (Disposals)</u>	<u>Unrealized gain</u>	<u>Ending balance</u>
Board of Directors	<u>140,588,370</u>	<u>277,698,457</u>	<u>7,118,039</u>	<u>425,404,866</u>

<u>Nature of relationship</u>	<u>For the year ended 31 December 2018</u>			
	<u>Opening balance</u>	<u>Purchases/ (Disposals)</u>	<u>Unrealized gain</u>	<u>Ending balance</u>
Board of Directors	<u>684,701,766</u>	<u>(544,660,303)</u>	<u>546,907</u>	<u>140,588,370</u>

25.3 Other balances with related parties included within accounts payables are as follows:

<u>Nature of relationship</u>	<u>For the year ended 31 December 2019</u>			
	<u>Opening balance</u>	<u>Services received</u>	<u>Payments made</u>	<u>Ending balance</u>
Affiliate	<u>5,511,881</u>	<u>12,528,050</u>	<u>(10,577,894)</u>	<u>7,462,037</u>
Board of Directors	<u>1,442,000</u>	<u>5,577,471</u>	<u>(5,975,031)</u>	<u>1,044,440</u>
Total	<u>6,953,881</u>	<u>18,105,521</u>	<u>(16,552,925)</u>	<u>8,506,477</u>

<u>Nature of relationship</u>	<u>For the year ended 31 December 2018</u>			
	<u>Opening balance</u>	<u>Services received</u>	<u>Payments made</u>	<u>Ending balance</u>
Affiliate	<u>4,293,218</u>	<u>12,629,562</u>	<u>(11,410,899)</u>	<u>5,511,881</u>
Board of Directors	<u>1,676,618</u>	<u>5,913,239</u>	<u>(6,147,857)</u>	<u>1,442,000</u>
Total	<u>5,969,836</u>	<u>18,542,801</u>	<u>(17,558,756)</u>	<u>6,953,881</u>

25.4 Other balances with related parties included in investments at amortized cost are as follows:

<u>Nature of relationship</u>	<u>For the year ended 31 December 2019</u>			
	<u>Opening balance</u>	<u>Special commission earned</u>	<u>Collections</u>	<u>Ending balance</u>
The Associate	<u>130,000,000</u>	<u>--</u>	<u>--</u>	<u>130,000,000</u>

<u>Nature of relationship</u>	<u>For the year ended 31 December 2018</u>			
	<u>Opening balance</u>	<u>Special commission earned</u>	<u>Collections</u>	<u>Ending balance</u>
The Associate	<u>130,000,000</u>	<u>4,017,433</u>	<u>(4,017,433)</u>	<u>130,000,000</u>

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26. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided. The reportable segments of the Group are as under:

Markets

This business unit's main objective is to grow business by improving products/services, attracting domestic listings, (in the longer term) foreign listings, and developing new asset classes. The responsibilities include maintaining the integrity, stability, and fairness of stock market operations. Its objective is to achieve outstanding results through operational excellence, collaboration with CMA, cost effectiveness, total customer experience management, and developing a capable work force.

Edaa

The activities of Edaa include registration of investment portfolios in the filing and settlement system, register and file its ownership, transfer, settlement and clearing its ownership, registering any restriction of ownership on the file securities, and associate with members of the market and settlement agents to filing and settlement system. Further, Edaa links and manages records of securities issuers, organizes general assemblies for issuers including remote voting service for such assemblies, provide reports, notifications and information in addition to providing any other service relating to its activities according to financial market regulations.

Market information

The activities of this segment is to grow business of market information which includes offer high-quality real-time trading data, reference data, market indices and financial information to the financial community.

Corporate

Corporate manages future corporate development and controls all treasury related functions. All investments are incubated within this business segment, which also comprise managing strategy for business development, legal, finance, operations, human resources and customers' relation management.

2019	Markets	Edaa	Muqassa	Market information	Corporate	Total
Operating revenue	221,906,317	281,496,478	--	61,345,104	--	564,747,899
Operating costs	(131,886,167)	(130,820,921)	--	(36,459,398)	--	(299,166,486)
Operations income / (loss)	--	--	--	--	--	42,056,361
General and administrative expenses	--	--	--	--	(223,525,052)	(223,525,052)
Total assets	18,147,832	564,452,008	130,041,282	4,091,552	2,830,097,424	3,546,830,098
Total liabilities	37,308,873	46,414,594	25,130,752	11,690,852	166,879,783	287,424,854

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26. SEGMENT INFORMATION (CONTINUED)

<u>2018</u>	<u>Markets</u>	<u>(Edaa)</u>	<u>Muqassa</u>	<u>Market information</u>	<u>Corporate</u>	<u>Total</u>
Operating revenues	224,150,902	298,320,362	--	60,808,776	--	583,280,040
Operating costs	(134,817,416)	(127,112,580)	--	(36,573,942)	--	(298,503,938)
Operations income / (loss)	89,333,486	171,207,782	--	24,234,834	--	284,776,102
General and administrative expenses	--	--	--	--	(210,520,277)	(210,520,277)
Total assets	<u>18,211,205</u>	<u>566,423,092</u>	<u>--</u>	<u>4,105,840</u>	<u>2,943,208,846</u>	<u>3,531,948,983</u>
Total liabilities	<u>38,193,598</u>	<u>47,515,248</u>	<u>--</u>	<u>11,968,083</u>	<u>199,612,855</u>	<u>297,289,784</u>

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risks;
- Operational risk; and
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. Further, the Board reviews reports from relevant committees in relation to the above on a regular basis.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management structure

A cohesive organisational structure is established within the Group in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day to day operations towards achieving the strategic goals within the Group's pre-defined risk appetite.

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The risks faced by the Group and the way these risks are mitigated by management are summarised below:

27.1 Market rate risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. Market risk reflects price risk, currency risk and special commission rate risk.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Group's price risk exposure relates to its quoted investments in mutual funds whose values will fluctuate as a result of changes in market prices.

A 1% change in the redemption prices and quoted prices of the investments, with all other variables held constant, would impact the statement of profit or loss as set out below:

	<u>For the year ended 31 December</u>	
	<u>2019</u>	<u>2018</u>
Effect on profit/ loss for the year	±25,852,886	±13,037,761

The sensitivity analysis prepared is not necessarily indicative of the effects on profit and loss and assets of the Group.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyals.

Special commission rate risk

The Group's exposure to changes in special commission rate relates primarily to the Group's long term variable rate debt instruments. Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair value of financial instruments. An increase / decrease in special commission rate of 1%, with all other variables held constant, would have resulted in a decrease / increase in profit for the year ended 31 December 2019 by SR 6,734 (for the year ended 31 December 2018: SR 82,234).

27.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment in debt securities.

The below schedule shows the maximum limit for exposure to credit risk of the consolidated statement of financial position elements:

	<u>31 December</u> <u>2019</u>	31 December <u>2018</u>
Cash and cash equivalents	268,487,867	363,178,918
Investments at amortized cost	306,554,876	1,618,889,453
Accrued operational revenue	5,551,232	5,709,830
Advance to employees	6,232,881	4,377,876
Account receivables	48,057,614	45,323,583
	<u>634,884,470</u>	<u>2,037,479,660</u>

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.2 Credit risk (continued)

Cash and cash equivalents

The Group kept its surplus funds with banks having sound credit ratings. Currently the surplus funds are kept with banks having rating as follows:

FITCH		Moody's	
Long Term	Short Term	Long Term	Short Term
BBB+	A2	A1	P-1

Account receivables

Account receivables are shown net of allowance for credit losses. The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, account receivables have been grouped based on the days past due. The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

27.3 Concentration of credit risk

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2019.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	0.3	33,543,951	103,190	No
30-60 days	2.0	1,261,061	25,233	No
61-90 days	3.0	2,392,842	71,536	No
91-120 days	4.5	435,539	19,647	No
121-180 days	18.2	2,571,107	467,183	Yes
181-360 days	45.4	2,077,669	943,808	Yes
More than 360 days past due	90.9	5,775,445	5,247,138	Yes
		48,057,614	6,877,735	

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2018.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	0.04	33,285,334	14,129	No
30-60 days	1.04	1,555,431	16,174	No
61-90 days	2.24	309,770	6,929	No
91-120 days	2.52	250,501	6,314	No
121-180 days	20.00	856,173	171,235	Yes
181-360 days	50.00	5,103,826	2,551,912	Yes
More than 360 days past due	100.00	3,962,548	3,962,548	Yes
		45,323,583	6,729,241	

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The below schedule shows an analysis of financial assets and liabilities based on the expected date of collection or settlement:

	31 December 2019			31 December 2018		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	268,487,867	--	268,487,867	363,178,918	--	363,178,918
Investments	2,660,288,572	231,554,876	2,891,843,448	2,616,337,849	306,327,691	2,922,665,540
Account receivables – gross	48,057,614	--	48,057,614	45,323,583	--	45,323,583
Accrued operational revenue	5,551,232	--	5,551,232	5,709,830	--	5,709,830
Advance to employees	6,232,881	--	6,232,881	4,377,876	--	4,377,876
Total financial assets	2,988,618,166	231,554,876	3,220,173,042	3,034,928,056	306,327,691	3,341,255,747
Lease liability	4,263,087	--	4,263,087	--	--	--
Account payables	105,383,866	--	105,383,866	87,268,042	--	87,268,042
Balance due to CMA	22,330,201	--	22,330,201	56,661,001	--	56,661,001
Accrued expenses and other current liabilities	75,018,332	--	75,018,332	59,136,932	--	59,136,932
Total financial liabilities	206,995,486	--	190,368,079	203,065,975	--	203,065,975
Net financial assets	2,781,622,680	231,554,876	3,013,177,556	2,831,862,081	306,327,691	3,138,189,772

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group 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 Group 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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount of the remaining financial assets and financial liabilities is a reasonable approximation of fair value.

	<u>Carrying value</u>	<u>31 December 2019</u>			<u>Total Fair Value</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Investments</u>					
FVTPL	2,585,288,572	--	2,585,288,572	--	2,585,288,572
	<u>Carrying value</u>	<u>31 December 2018</u>			<u>Total Fair Value</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<u>Investments</u>					
FVTPL	1,303,776,087	--	1,303,776,087	--	1,303,776,087

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements as of 31 December 2019 (31 December 2018: Nil).

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29. SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity and may eventually impact the Tadawul's revenue streams. Moreover, the Government of KSA has announced several initiatives to provide necessary relief to industry sectors including underlying consumers. Tadawul considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on Tadawul's consolidated financial statements including expected credit losses will be considered in the Company's consolidated financial statements for the year ending 31 December 2020.

30. DIVIDEND

The ordinary assembly meeting held on 14 Ramadan 1440H (corresponding to 19 May 2019) approved the payment of dividend to shareholders for the year ended 31 December 2018 amounting to SR 120,000,000.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 2 Sha'ban 1441 corresponding to 26 March 2020