

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**



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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA (A Saudi Closed Joint Stock Company)**

### **Opinion**

We have audited the financial statements of Emirates NBD Capital KSA (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with the accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

### **Basis for Opinion**

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

### **Other Matter**

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 27 Ramadan 1441H (corresponding to 20 May 2020).

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

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA  
(A Saudi Closed Joint Stock Company) (continued)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)**

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA  
(A Saudi Closed Joint Stock Company) (continued)**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young

Abdulaziz A. Al-Sowailim  
Certified Public Accountant  
License No. (277)

Riyadh: 20 Sha'aban 1442H  
(2 April 2021)



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**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

|                                       | Notes | December 31,<br>2020<br>SR | December 31,<br>2019<br>SR |
|---------------------------------------|-------|----------------------------|----------------------------|
| <b>ASSETS</b>                         |       |                            |                            |
| <b>Non-current assets</b>             |       |                            |                            |
| Property and equipment                | 5     | 1,041,983                  | 172,602                    |
| Intangible assets                     | 6     | 42,426                     | 61,203                     |
| Right-of-use assets                   | 7     | 1,542,540                  | 151,211                    |
| <b>Total non-current assets</b>       |       | <b>2,626,949</b>           | <b>385,016</b>             |
| <b>Current assets</b>                 |       |                            |                            |
| Due from a related party              | 8     | 1,369,022                  | 486,981                    |
| Trade and other receivables           | 9     | 8,346,900                  | 6,085,079                  |
| Term deposit                          | 10    | 40,000,000                 | -                          |
| Cash and cash equivalents             | 11    | 36,626,226                 | 77,894,448                 |
| <b>Total current assets</b>           |       | <b>86,342,148</b>          | <b>84,466,508</b>          |
| <b>TOTAL ASSETS</b>                   |       | <b>88,969,097</b>          | <b>84,851,524</b>          |
| <b>EQUITY AND LIABILITIES</b>         |       |                            |                            |
| <b>EQUITY</b>                         |       |                            |                            |
| Share capital                         | 12    | 100,000,000                | 100,000,000                |
| Accumulated losses                    |       | (27,039,024)               | (28,909,150)               |
| <b>Total equity</b>                   |       | <b>72,960,976</b>          | <b>71,090,850</b>          |
| <b>LIABILITIES</b>                    |       |                            |                            |
| <b>Non-current liability</b>          |       |                            |                            |
| Employees defined benefit obligations | 13    | 1,454,748                  | 1,097,856                  |
| <b>Total non-current liability</b>    |       | <b>1,454,748</b>           | <b>1,097,856</b>           |
| <b>Current liabilities</b>            |       |                            |                            |
| Zakat payable                         | 14    | 7,379,647                  | 8,164,136                  |
| Due to related parties                | 8     | 1,503,007                  | 1,356,140                  |
| Trade and other payables              | 15    | 5,670,718                  | 3,142,542                  |
| <b>Total current liabilities</b>      |       | <b>14,553,373</b>          | <b>12,662,818</b>          |
| <b>TOTAL LIABILITIES</b>              |       | <b>16,008,121</b>          | <b>13,760,674</b>          |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |       | <b>88,969,097</b>          | <b>84,851,524</b>          |

The accompanying notes form an integral part of these financial statements

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|   | Notes | December 31,<br>2020<br>SR | December 31,<br>2019<br>SR |
|---|-------|----------------------------|----------------------------|
| Revenues  | 16    | <b>18,201,104</b>          | 18,932,505                 |
| General and administrative expenses                                       | 17    | <b>(15,275,993)</b>        | (13,866,221)               |
| <b>INCOME FROM MAIN OPERATIONS</b>  |       | <b>2,925,111</b>           | 5,066,284                  |
| Other expenses, net   | 18    | <b>(339,092)</b>           | (219,827)                  |
| Interest expense  |       | <b>(60,392)</b>            | (2,683)                    |
| Special commission income   | 19    | <b>878,967</b>             | 1,939,201                  |
| <b>Profit before zakat</b>  |       | <b>3,404,594</b>           | 6,782,975                  |
| Zakat expense   | 14    | <b>(1,361,732)</b>         | (2,139,621)                |
| <b>Profit for the year</b>  |       | <b>2,042,863</b>           | 4,643,354                  |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |                            |                            |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |       |                            |                            |
| Re-measurement losses of employees defined benefit obligations            | 13    | <b>(172,737)</b>           | (2,472)                    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                            |       | <b>1,870,126</b>           | 4,640,882                  |

The accompanying notes form an integral part of these financial statements

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**STATEMENT OF CHANGE IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | Share capital<br>SR | Accumulated losses<br>SR | Total<br>SR       |
|--|---------------------|--------------------------|-------------------|
| <b>Balance at January 1, 2019</b>              | 100,000,000         | (33,550,032)             | 66,449,968        |
| Profit for the year                            | -                   | 4,643,354                | 4,643,354         |
| Other comprehensive loss for the year          | -                   | (2,472)                  | (2,472)           |
| <b>Total comprehensive income for the year</b> | -                   | 4,640,882                | 4,640,882         |
| <b>Balance at December 31, 2019</b>            | 100,000,000         | (28,909,150)             | 71,090,850        |
| Profit for the year                            | -                   | <b>2,042,863</b>         | 2,042,863         |
| Other comprehensive loss for the year          | -                   | <b>(172,737)</b>         | <b>(172,737)</b>  |
| Total comprehensive income for the year        | -                   | <b>1,870,126</b>         | <b>1,870,126</b>  |
| <b>Balance at December 31, 2020</b>            | 100,000,000         | <b>(27,039,024)</b>      | <b>72,960,976</b> |

The accompanying notes form an integral part of these financial statements



**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

|  | December 31,<br>2020<br>SR | December 31,<br>2019<br>SR |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                            |                            |
| Profit before zakat  | 3,404,594                  | 6,782,975                  |
| <i>Adjustments for:</i>  |                            |                            |
| Amortization of right-of-use assets                              | 553,823                    | 362,906                    |
| Depreciation and amortization                                    | 371,650                    | 385,810                    |
| Employees defined benefit obligations                            | 124,762                    | 234,909                    |
| Finance cost   | 60,392                     | 2,683                      |
| <b>Operating cash flows before movements in working capital</b>  | <b>4,515,221</b>           | <b>7,769,283</b>           |
| <i>Movements in working capital:</i>                             |                            |                            |
| Trade and other receivables                                      | (3,815,403)                | (2,156,957)                |
| Due from related parties   | (882,041)                  | (486,981)                  |
| Trade and other payables   | 2,528,176                  | 1,557,688                  |
| Due to related parties   | 146,867                    | 477,512                    |
| <b>Net cash generated from operations</b>                        | <b>2,492,820</b>           | <b>7,160,545</b>           |
| Zakat paid   | (2,146,187)                | (1,869,185)                |
| Employees defined benefit obligations paid                       | (75,000)                   | -                          |
| <b>Net cash generated from operating activities</b>              | <b>271,633</b>             | <b>5,291,360</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                            |                            |
| Purchase of term deposits  | (40,000,000)               | 42,000,000                 |
| Purchase of property and equipment                               | (1,194,255)                | (7,694)                    |
| Purchase of intangible assets                                    | -                          | (62,675)                   |
| <b>Net cash (used for) / generated from investing activities</b> | <b>(41,194,255)</b>        | <b>41,929,631</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>                        |                            |                            |
| Repayment of principal portion of lease liability                | (345,600)                  | (364,800)                  |
| <b>Net cash used in financing activity</b>                       | <b>(345,600)</b>           | <b>(364,800)</b>           |
| <b>Net change in cash and cash equivalents</b>                   | <b>(41,268,222)</b>        | <b>46,856,191</b>          |
| Cash and cash equivalents at the beginning of the year           | 77,894,448                 | 31,038,257                 |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>              | <b>36,626,226</b>          | <b>77,894,448</b>          |
| <i>Significant non-cash transactions:</i>                        |                            |                            |
| Re-measurement losses of employees defined benefit obligations   | 172,737                    | 2,472                      |
| Adjustments on adoption of IFRS 16                               | -                          | 152,000                    |

The accompanying notes form an integral part of these financial statements

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2020**

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**1. ORGANIZATION AND ACTIVITIES**

Emirates NBD Capital KSA (the “Company”) is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010248476 dated 13 Rabi Thani 1429H (corresponding to April 19, 2008).

The Company is owned 95% by Emirates NBD Bank (the “Bank”), registered in the United Arab Emirates and 5% by Emirates Financial Services, a subsidiary of the Bank.

On January 12, 2018, the Company’s legal form was converted from a limited liability company to a closed joint stock company. The share capital and shareholders of the Company have remained unaltered after the conversion, except for the total number of shares which has been changed from 145,000 share of SR 1,000 each to 14,500,000 share of SR 10 each. The Company has obtained the approval from the Ministry of Commerce and Investment for this conversion.

The principal activities of the Company are trading as principle, agent and underwriting, managing, arranging, advising and custodial services in accordance with license number 07086-37 dated 8 Shaba’an 1428H (corresponding to 21 August 2007) from the Capital Market Authority (“CMA”).

The registered address of the Company is as follows:

Emirates NBD Capital KSA  
P.O. Box 34177  
Prince Turki Al Awwal Road  
Riyadh 11333, Kingdom of Saudi Arabia

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively hereafter referred to as “IFRS as endorsed in KSA”) and in compliance with the applicable requirements of the Regulations of Companies in the Kingdom of Saudi Arabia.

**Historical cost convention**

The financial statements have been prepared on the historical cost basis. For employee defined benefit obligations which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Historical cost convention (Continued)**

In addition, for financial reporting purposes, fair value measurements are categorized into 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**Foreign currency translation**

(a) Reporting currency

These financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

**Financial instruments**

Financial assets and financial liabilities are recognized when Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Company recognizes financial assets on trade date basis at which the Company becomes a part to the contracted provisions of the investment.

All recognized financial assets are subsequently measured in their entirety at amortized cost using the effective interest rate (“EIR”) method (if the impact of discounting or any transaction costs is significant). Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / expenses.

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

*Classification of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

The Company does not have any financial asset that meets the criteria to be classified as subsequently measured at 'fair value through profit or loss' or at 'fair value through other comprehensive income' nor it has elected to irrevocably designate its financial assets to be subsequently measured at 'fair value through profit or loss' or at 'fair value through other comprehensive income'.

*Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the EIR method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalent and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss (“ECL”) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date; the Company’s understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on the financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- When there is a long outstanding debt and a similar past experience exists; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner and when there is a past similar experience of default for such transaction. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortized cost.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (Continued)**

*Offsetting of financial assets and liabilities*

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

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank current accounts and term deposits held with banks, all of which are available for use by the Company unless otherwise stated and have original maturities of three months or less from acquisition date, which are subject to an insignificant risk of changes in value.

**Term deposits**

Term deposits are time deposits with original maturities for over three months. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Profit Rate (“EPR”) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method to allocate the costs of the related assets over the estimated useful lives as shown in note 5.

The Company applies the following useful lives to its property and equipment:

|                                |         |
|--------------------------------|---------|
| Furniture and fixtures         | 4 years |
| Office equipment and computers | 4 years |

Leasehold improvements are depreciated over the shorter of their useful lives or the lease term.

An item of property and equipment and any significant part is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognised on a prospective basis.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of non-financial assets**

The Company assesses at the audit of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units 'CGU'). Recoverable amount is the higher for which of an asset's fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Company applies an annual rate of amortization over 4 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

**Zakat**

The Company is subject to the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**Value-added tax ("VAT")**

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**Accounts payable and accrued expenses**

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

**Employee benefits**

*Employees defined benefit obligations*

Employees defined benefit obligations are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

The discount rate used is determined based on the Company's external actuary's rate model which is based on high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

*Short-term and other long-term employee benefits*

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

**Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

**Leases**

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**AT DECEMBER 31, 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases (continued)**

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under International Accounting Standard (“IAS”) 37 – Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 – Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 – Leases permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

***Short-term leases and leases of low-value assets:***

The Branch has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue recognition**

The Company uses the five-step model of revenue recognition as described in IFRS 15 – Revenue from Contracts with Customers. In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

*Identification of performance obligations:*

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At the inception of each contract entered into with a customer, the Company identifies the services promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations.

Services promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

*Allocation of the transaction price:*

The Company determines the transaction price in accordance with the requirements of IFRS 15 and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimable).

Recognition of revenue allocated to each performance obligation:

The Company recognizes the revenue from each performance obligation over time based on the measure of progress towards complete satisfaction of the performance obligation. This is based on the Company's assessment that the customer simultaneously receives, and consumes the benefit embodied in, the services.

The Company's approach to assessment of measure of progress towards complete satisfaction of each performance obligation varies depending upon the nature of the promised services.

The Company is in the business of providing arranging, dealing, asset management and custody services. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services. Specific details for each type of revenue are set out below:

*a) Arranging services fees*

Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is usually acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue recognition (Continued)**

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

***b) Dealing fees***

The Company carries out activity under its license as principal as well as an agent. Dealing service is extended to customers for trading in Tadawul in KSA as well as UAE markets.

The Company's performance obligations represent the execution of the trades requested by the customers. Transaction price for each performance obligation is pre-agreed. Revenue is recognised at a point in time when the deals are executed by the Company.

***c) Custody services fees***

Securities custody activity is the regular source of income for the Company. The Company is providing service relating to equity custody as well as real estate custody. Customers appoint the Company to be the custodian of assets pledged as collateral or being the custodian of the real-estate properties for real estate funds.

Agreements by the Company are entered into either on a fixed fee or based on a percentage of asset values. The fees are defined in the agreement and there is no variable consideration identified in the agreements. The Company's obligations are defined to be being the custodian of the assets. The services are performed over time and revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

***d) Asset management services fees***

Asset management services involve managing securities belonging to other parties in circumstances involving the exercise of discretion. Asset management fees is charged to the funds under the management of the Company and other discretionary portfolios. The Company's performance obligation as per these agreements is to manage the assets under these funds and trading in the market for value maximization.

The Company's performance obligation is satisfied over time as asset management services is a continuous supply of services to the customer. Revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

**Expenses**

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fiduciary assets**

Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of profit or loss and other comprehensive income.

***Assets under management:***

The Company offers asset management services to funds. The assets of such funds are not treated as assets of the Company and accordingly are not included in the financial statements.

***Clients' cash accounts and assets:***

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

**3. APPLICATION OF NEW AND REVISED IFRS**

**New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***Amendments to IFRS 3: Definition of a Business***

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

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

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

### **3. APPLICATION OF NEW AND REVISED IFRS (continued)**

#### **New and revised standards and interpretations not yet effective**

The Company has not applied the following new and amended IFRSs that have been issued but are not yet effective, which will become effective for annual periods on or after January 1, 2021.

#### ***Amendments to IAS 1: Classification of Liabilities as Current or Non-Current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### ***Reference to the conceptual framework – Amendments to IFRS 3 Business Combinations'***

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

#### ***Property Plant and Equipment: Proceeds before intended use – Amendments to IAS 16***

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.



**3. APPLICATION OF NEW AND REVISED IFRS (continued)**

***IFRS 9 - Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities***

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**4.1 Critical accounting judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations (refer to note 4.2 below), that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

***Going concern***

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**4.2 Key sources of estimation uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION**  
**UNCERTAINTY (continued)**

***Allowance for expected credit loss***

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

***Useful lives of property and equipment and intangible assets***

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

***Assumptions used to determine the actuarial value of the employees defined benefit obligations***

The Company makes various estimates in determining the actuarial value of the employees defined benefit obligations. These estimates are disclosed in note 13.

***Significant judgement in determining the lease term of contracts with renewal options***

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

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**5. PROPERTY AND EQUIPMENT**

|                                 | Leasehold<br>improvements | Furniture<br>and fixtures | Office<br>Equipment<br>and<br>computers | <b>Total</b>      |
|---------------------------------|---------------------------|---------------------------|---|-------------------|
|                                 | SR                        | SR                        | SR                                      | SR                |
| <b>Cost</b>                     |                           |                           |   |                   |
| January 1, 2020                 | 5,576,398                 | 1,555,368                 | 2,409,233                               | 9,540,999         |
| Additions                       | 182,282                   | 901,434                   | 110,539                                 | 1,194,255         |
| December 31, 2020               | <b>5,758,680</b>          | <b>2,456,802</b>          | <b>2,519,772</b>                        | <b>10,735,254</b> |
| <b>Accumulated depreciation</b> |                           |                           |   |                   |
| January 1, 2020                 | 5,451,236                 | 1,555,368                 | 2,353,427                               | 9,360,031         |
| Charge for the year (note 17)   | 161,804                   | 149,390                   | 22,046                                  | 333,240           |
| December 31, 2020               | <b>5,613,040</b>          | <b>1,704,758</b>          | <b>2,375,473</b>                        | <b>9,693,271</b>  |
| <b>Net book value</b>           |                           |                           |   |                   |
| <b>December 31, 2020</b>        | <b>145,640</b>            | <b>752,044</b>            | <b>144,299</b>                          | <b>1,041,983</b>  |

|                                 | Leasehold<br>improvements | Furniture<br>and fixtures | Office<br>Equipment<br>and<br>computers | <b>Total</b>     |
|---------------------------------|---------------------------|---------------------------|---|------------------|
|                                 | SR                        | SR                        | SR                                      | SR               |
| <b>Cost</b>                     |                           |                           |   |                  |
| January 1, 2019                 | 5,150,842                 | 1,555,368                 | 2,401,539                               | 9,533,305        |
| Additions                       | -                         | -                         | 7,694                                   | 7,694            |
| Transfers                       | 425,556                   | -                         | -                                       | -                |
| December 31, 2019               | <b>5,576,398</b>          | <b>1,555,368</b>          | <b>2,409,233</b>                        | <b>9,540,999</b> |
| <b>Accumulated depreciation</b> |                           |                           |   |                  |
| January 1, 2019                 | 5,150,842                 | 1,555,368                 | 2,314,787                               | 9,020,997        |
| Charge for the year (note 17)   | 300,394                   | -                         | 47,006                                  | 347,400          |
| December 31, 2019               | <b>5,451,236</b>          | <b>1,555,368</b>          | <b>2,353,427</b>                        | <b>9,368,397</b> |
| <b>Net book value</b>           |                           |                           |   |                  |
| <b>December 31, 2019</b>        | <b>125,162</b>            | <b>-</b>                  | <b>47,440</b>                           | <b>172,602</b>   |

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**6. INTANGIBLE ASSETS**

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 4 years.

|                                      | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|--------------------------------------|------------------------------|----------------------|
|                                      | <b>SR</b>                    | SR                   |
| <b>Cost</b>                          |                              |                      |
| Balance at the beginning of the year | 572,693                      | 510,018              |
| Additions                            | -                            | 62,675               |
| At end of the year                   | <u>572,693</u>               | <u>572,693</u>       |
| <b>Accumulated amortisation</b>      |                              |                      |
| Balance at the beginning of the year | 509,157                      | 473,080              |
| Charge for the year (note 17)        | 21,110                       | 38,410               |
| At end of the year                   | <u>530,267</u>               | <u>511,490</u>       |
| <b>Net book value</b>                |                              |                      |
| At end of the year                   | <u>42,426</u>                | <u>63,536</u>        |

**7. LEASES**

**Right-of-use asset**

The Company has a lease contract for its office space for a period of 5 years. Set out below are the carrying amount of right-of-use asset recognized and the movements during the year:

|                                      | <b>2020</b>      | 2019             |
|--------------------------------------|------------------|------------------|
|                                      | <b>SR</b>        | SR               |
| <b>Cost</b>                          |                  |                  |
| Balance at the beginning of the year | 514,117          | 514,117          |
| Additions                            | 1,945,152        | -                |
| At end of the year                   | <u>2,459,269</u> | <u>514,117</u>   |
| <b>Accumulated amortisation</b>      |                  |                  |
| Balance at the beginning of the year | (362,906)        | -                |
| Charge for the year (note 17)        | (553,823)        | (362,906)        |
| At end of the year                   | <u>(916,729)</u> | <u>(362,906)</u> |
| <b>Net book value</b>                |                  |                  |
| At end of the year                   | <u>1,542,540</u> | <u>151,211</u>   |

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**7. LEASES (continued)**

**Lease liabilities**

Set out below are the carrying amounts of lease liabilities (included under trade and other payables (see note 15)) and the movements during the period.

|                                      | <b>2020</b>      | 2019      |
|--------------------------------------|------------------|-----------|
|                                      | <b>SR</b>        | SR        |
| Balance at the beginning of the year | -                | 362,117   |
| Additions during the year            | <b>1,945,152</b> | -         |
| Payments made during the year        | <b>(345,599)</b> | (364,800) |
| Accretion of interest                | <b>60,392</b>    | 2,683     |
| At end of the year                   | <b>1,659,945</b> | -         |

The maturity analysis of lease liabilities is disclosed in note 22.

The following are the amounts recognized in profit or loss:

|   | <b>2020</b>    | 2019    |
|---|----------------|---------|
|   | <b>SR</b>      | SR      |
| Amortization of right-of-use asset                  | <b>553,823</b> | 362,906 |
| Interest expense on lease liabilities               | <b>60,392</b>  | 2,683   |
| Expense relating to short-term leases (see note 17) | <b>152,000</b> | -       |
| Total amount recognized in profit or loss           | <b>766,215</b> | 365,589 |

In 2020, the Company had total cash outflow for leases of SR 497,599 (2019: SR 364,800).

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is a member of group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Emirates NDB Bank, a bank registered in – United Arab Emirates, which is also the Company’s immediate parent entity.

| <b>Name of related parties with which the Company transacts usually</b> | <b>Relationship</b> |
|---|---------------------|
| Emirates NBD (the “Bank”)   | Shareholder         |
| Emirates Financial Services - Dubai                                     | Shareholder         |
| Emirates NBD Bank – KSA Branch (the “Branch”)                           | Affiliate           |
| Emirates NBD Capital – Dubai  | Affiliate           |
| Emirates NBD Bank – Private Banking Dubai                               | Affiliate           |
| Emirates NBD Asset Management Limited                                   | Affiliate           |
| ENBD Securities   | Affiliate           |

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**8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Following are the significant transactions with related parties during the year:

| <b>Related party</b>                          | <b>Nature of transactions</b>                                      | <b>2020</b>              | <b>2019</b>              |
|---|--|--------------------------|--------------------------|
|   |  | <b>SR</b>                | <b>SR</b>                |
| Emirates NBD Bank – KSA Branch (the “Branch”) | Special commission income (note 19)<br>Custody fees (note 8a (ii)) | 878,967<br>4,704,722     | 1,939,201<br>4,805,187   |
| Emirates NBD Bank – Private Banking Dubai     | Recharge of expenses   | (345,194)                | (258,798)                |
| Board members                                 | Independent Board members’ fee                                     | 240,000                  | 185,000                  |
| Key management personnel                      | Salaries and wages<br>End-of-service benefits                      | (7,396,400)<br>(767,132) | (6,536,445)<br>(491,071) |

The Company’s related parties include its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

*a) Significant transactions with the Bank / the Branch:*

*i) Banking services*

The Bank through its Riyadh branch (the “Branch”) acts as the banker of the Company. An amount of SR 78 million (December 31, 2019: SR 78 million) is held in current and deposit accounts with the Branch at the statement of financial position date (notes 10 and 11).

*ii) Custody fees*

As per the agreement with the Private Banking Group of the Branch and Emirates NBD Dubai, the Company charges custody fees on shares held on Branch’s behalf. The income for 2020 amounted to SR 4.7 million (2019: SR 4.8 million).

*b) Amounts due from and to related parties*

**Amounts due from a related party is as follows:**

|                                | <b>December 31,</b> | <b>December 31,</b> |
|--------------------------------|---------------------|---------------------|
|                                | <b>2020</b>         | <b>2019</b>         |
|                                | <b>SR</b>           | <b>SR</b>           |
| Emirates NBD Bank – KSA Branch | <b>1,369,022</b>    | 486,981             |
|                                | <b>1,369,022</b>    | 486,981             |

**Amounts due to related parties are as follows:**

|                                  | <b>December 31,</b> | <b>December 31,</b> |
|----------------------------------|---------------------|---------------------|
|                                  | <b>2020</b>         | <b>2019</b>         |
|                                  | <b>SR</b>           | <b>SR</b>           |
| Emirates NBD – PJSC (the “Bank”) | <b>1,503,007</b>    | 1,149,677           |
| Emirates NBD Capital – Dubai     | -                   | 206,463             |
|                                  | <b>1,503,007</b>    | 1,356,140           |

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**9. TRADE AND OTHER RECEIVABLES**

|  | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|--|-------------------------------------|----------------------------|
| Trade receivables, net*                | <b>3,953,475</b>                    | 2,583,226                  |
| Margin deposits on letter of guarantee | <b>3,221,856</b>                    | 3,221,856                  |
| Management fee receivable              | <b>658,916</b>                      | -                          |
| Prepaid expenses                       | <b>512,653</b>                      | 220,144                    |
| Special commission receivable          | -                                   | 50,398                     |
| Advance to employees                   | -                                   | 9,455                      |
|  | <b>8,346,900</b>                    | <b>6,085,079</b>           |

Trade receivables, as at December 31, 2020 is stated net of an impairment provision amounting to SR 112,500 (December 31, 2019: SR 112,500).

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over accounts receivables and the vast majority is, therefore, unsecured.

**10. TERM DEPOSIT**

|                    | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|--------------------|-------------------------------------|----------------------------|
| Short term deposit | 40,000,000                          | -                          |
|                    | <b>40,000,000</b>                   | -                          |

Short term deposit represents amount placed with Emirates NBD Bank – KSA Branch (the “Branch”) and has an original maturity of more than three months. The deposit carried an annual special commission at the rate of 0.90% per annum.

**11. CASH AND CASH EQUIVALENTS**

|                    | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|--------------------|-------------------------------------|----------------------------|
| Cash in hand       | <b>10</b>                           | 17                         |
| Bank balances      | <b>11,626,216</b>                   | 52,894,431                 |
| Short term deposit | <b>25,000,000</b>                   | 25,000,000                 |
|                    | <b>36,626,226</b>                   | <b>77,894,448</b>          |

Short term deposit represents amount placed with Emirates NBD Bank – KSA Branch (the “Branch”) and has an original maturity of less than three months. It carries an annual special commission at the rate of 2.50% per annum.

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**11. CASH AND CASH EQUIVALENTS (continued)**

The Company has an arrangement with Emirates NBD Bank – KSA Branch (The “Branch”) to settle brokerage transactions with Tadawul. The Branch has given a guarantee to Tadawul to settle all the transactions entered into by the Company. On the request of the Branch, the Company submitted an order note and counter guarantee agreeing not to perform any transactions exceeding the available limit agreed with the branch. As at December 31, 2020, the Company has maintained sufficient cash balances with the Branch.

**12. SHARE CAPITAL**

The share capital of the Company, amounting to SR 100,000,000, is divided into 10,000,000 shares of SR 10 each (2019: 10,000,000 shares of SR 10 each).

| Name                                | December 31,<br>2020 |      | December 31,<br>2019 |      |
|-------------------------------------|----------------------|------|----------------------|------|
|                                     | Number of<br>shares  | %    | Number of<br>shares  | %    |
| Emirates NBD Bank                   | <b>9,500,000</b>     | 95%  | 9,500,000            | 95%  |
| Emirates Financial Services - Dubai | <b>500,000</b>       | 5%   | 500,000              | 5%   |
|                                     | <b>10,000,000</b>    | 100% | 10,000,000           | 100% |

**13. EMPLOYEES DEFINED BENEFIT OBLIGATIONS**

|   | December 31,<br>2020<br>SR | December 31,<br>2019<br>SR |
|---|----------------------------|----------------------------|
| Balance at the beginning of the year                      | <b>1,097,856</b>           | 860,475                    |
| Current service cost – recognized in profit and loss      | <b>221,167</b>             | 205,699                    |
| Interest cost – recognized in profit and loss             | <b>37,988</b>              | 29,210                     |
| Paid during the year                                      | <b>(75,000)</b>            | -                          |
| Actuarial loss – recognized in other comprehensive income | <b>172,737</b>             | 2,472                      |
| <b>Balance at the end of the year</b>                     | <b>1,454,748</b>           | 1,097,856                  |

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

|                          | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------|----------------------|----------------------|
| Discount rate            | <b>2.89%</b>         | 3.80%                |
| Rate of salary increases | <b>2.00%</b>         | 2.00%                |

All movements in the employees defined benefit liabilities are recognized in profit or loss except for the actuarial loss which is recognized in other comprehensive income.



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**13. EMPLOYEES DEFINED BENEFIT OBLIGATIONS (continued)**

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

|   | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|---|------------------------------|----------------------|
| Increase in discount rate of 0.5%           | <b>29,893</b>                | (23,933)             |
| Decrease in discount rate of 0.5%           | <b>(31,263)</b>              | 24,930               |
| Increase in rate of salary increase of 0.5% | <b>(31,539)</b>              | 25,397               |
| Decrease in rate of salary increase of 0.5% | <b>30,436</b>                | (24,597)             |

The expected maturity analysis of the undiscounted defined benefit obligation for the end of service plan is as follows:

| Less than a year | 1-2 years      | 2-5 years      | Over 5 years     | Total            |
|------------------|----------------|----------------|------------------|------------------|
| <b>263,888</b>   | <b>427,828</b> | <b>733,730</b> | <b>1,181,581</b> | <b>2,607,027</b> |

The weighted average duration of the defined benefit obligation is 4.4 years.

**14. ZAKAT**

**The charge for the year is as follows:**

|              | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|--------------|------------------------------|----------------------|
|              | SR                           | SR                   |
| Current year | <b>2,150,000</b>             | 2,082,354            |
| Prior years  | <b>(788,268)</b>             | 57,267               |
|              | <b>1,361,732</b>             | 2,139,621            |

The significant components of the zakat base of the Company as per the filed zakat declarations, which are subject to adjustments under the zakat regulations, are as follows:

|  | <b>2020</b>       | 2019       |
|--|-------------------|------------|
|  | SR                | SR         |
| Equity                                   | <b>71,090,850</b> | 66,449,968 |
| Opening allowances and other adjustments | <b>6,440,004</b>  | 7,952,256  |
| Book value of long term assets           | <b>1,084,410</b>  | (233,805)  |
|  | <b>78,615,264</b> | 74,168,419 |
| Adjusted profit / (loss) for the year    | <b>4,782,719</b>  | 7,086,244  |
| Zakat base                               | <b>83,397,983</b> | 81,254,663 |
| Zakat charge for the year                | <b>2,150,000</b>  | 2,089,218  |

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**14. ZAKAT (continued)**

**Movement in provision is as follows:**

|                              | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|------------------------------|-------------------------------------|----------------------------|
| At the beginning of year     | <b>8,164,136</b>                    | <b>7,893,700</b>           |
| Charge for the year          | <b>2,150,000</b>                    | <b>2,082,354</b>           |
| Over provision of prior year | <b>(788,302)</b>                    | <b>57,267</b>              |
| Payments during the year     | <b>(2,146,187)</b>                  | <b>(1,869,185)</b>         |
| At the end of the year       | <b>7,379,647</b>                    | <b>8,164,136</b>           |

The differences between the financial and adjusted Zakatable income are mainly due to certain disallowed provisions.

*Status of assessments*

In 2020, the Company has approached the Alternative Dispute Resolution Committee (“ADRC”) to reach a settlement proposal for all the open appeal cases (i.e. 2008-2013). The ADRC has approved a settlement proposal of SR 5,233,698 for the said years. The Company has already settled the above amount and the zakat position for the years from 2008 to 2013 was finalized.

For the years from 2014 to 2017 and also the year 2019, the Zakat returns have been submitted to the GAZT within the statutory deadlines and Zakat due, as per the return, have been settled. The returns are still under review by the GAZT and assessments have not yet been issued.

For the year 2018, the Zakat return have been submitted to the GAZT within the statutory deadlines and Zakat due, as per the return, have been settled. However, and during the year 2019, the GAZT issued a zakat assessment requesting the Company to settle additional zakat liability amounting to SR 57,267. The Company has accepted such assessment and it was paid during 2020.

**15. TRADE AND OTHER PAYABLES**

|  | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|--|-------------------------------------|----------------------------|
| Lease liabilities (see note 7)           | <b>1,659,945</b>                    | -                          |
| Bonus provision                          | <b>1,500,000</b>                    | 1,452,000                  |
| Accrued expenses                         | <b>1,188,019</b>                    | 517,095                    |
| VAT payable                              | <b>833,553</b>                      | 540,179                    |
| Accrued Board of Directors’ remuneration | <b>240,000</b>                      | 155,000                    |
| Withholding tax                          | <b>110,205</b>                      | 137,242                    |
| GOSI payable                             | <b>70,220</b>                       | 60,086                     |
| Others                                   | <b>68,776</b>                       | 280,940                    |
|  | <b>5,670,718</b>                    | <b>3,142,542</b>           |

Accrued expenses and statutory liabilities are cleared in the normal course of business.

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**16. REVENUE**

Set out below is the disaggregation of the Company's revenue from its contracts with customers:

**a) Disaggregation by type of service**

|                       | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|-----------------------|------------------------------|----------------------|
|                       | <b>SR</b>                    | SR                   |
| Arrangement fees      | <b>6,542,625</b>             | 9,371,875            |
| Custody fees          | <b>5,099,746</b>             | 5,486,927            |
| Dealing fees, net     | <b>3,279,849</b>             | 2,084,627            |
| Asset management fees | <b>3,278,884</b>             | 1,989,076            |
|                       | <b>18,201,104</b>            | 18,932,505           |

**b) Disaggregation by customer type**

|                        | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|------------------------|------------------------------|----------------------|
|                        | <b>SR</b>                    | SR                   |
| Related party (note 8) | <b>4,704,722</b>             | 4,805,187            |
| Non related party      | <b>13,496,382</b>            | 14,127,318           |
|                        | <b>18,201,104</b>            | 18,932,505           |

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

|   | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|---|------------------------------|----------------------|
|   | <b>SR</b>                    | SR                   |
| Salaries and employee-related expenses        | <b>10,962,965</b>            | 9,710,772            |
| Communication expense                         | <b>863,588</b>               | 601,437              |
| Repairs and maintenance                       | <b>751,800</b>               | 816,770              |
| Legal and professional fees                   | <b>730,091</b>               | 870,420              |
| Amortization of right-of-use asset            | <b>402,611</b>               | 362,906              |
| Depreciation and amortization (notes 5 and 6) | <b>354,350</b>               | 385,810              |
| Stationary and subscription fees              | <b>248,417</b>               | 245,912              |
| Independent board members remuneration        | <b>240,000</b>               | 185,000              |
| Security charges                              | <b>156,000</b>               | 188,500              |
| Rent expenses                                 | <b>152,000</b>               | -                    |
| Utilities                                     | <b>77,267</b>                | 103,122              |
| Travel expenses                               | <b>40,602</b>                | 181,515              |
| Other   | <b>296,302</b>               | 214,057              |
|   | <b>15,275,993</b>            | 13,866,221           |

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**18. OTHER EXPENSES, NET**

|                                    | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|------------------------------------|------------------------------|----------------------|
|                                    | <b>SR</b>                    | SR                   |
| Recharge from related parties, net | <b>345,194</b>               | 264,312              |
| Foreign exchange loss (gain), net  | <b>(6,102)</b>               | 4,282                |
| Others                             | <b>-</b>                     | (48,767)             |
|                                    | <b>339,092</b>               | 219,827              |

**19. SPECIAL COMMISSION INCOME**

|  | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|--|------------------------------|----------------------|
|  | <b>SR</b>                    | SR                   |
| Special commission income on time deposits | <b>878,967</b>               | 1,939,201            |
|  | <b>878,967</b>               | 1,939,201            |

**20. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial assets consist of cash and cash equivalents, due from a related party and other receivables. Financial liabilities consist of due to related parties and other payables. The fair values of financial assets and financial liabilities of the Company at the reporting date approximates their carrying values. All financial assets and financial liabilities of the Company are classified under level 2 of the fair value hierarchy.

**21. FINANCIAL RISK MANAGEMENT**

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

**a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and currency risk.

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**21. FINANCIAL RISK MANAGEMENT (continued)**

*Interest rate risk*

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's term deposits are placed with the Bank with fixed interest rate. The Company does not have any significant exposure to special commission rate risk as it does not have any floating special commission rate bearing financial assets or liabilities as at the reporting date and does not carry any fixed special commission bearing financial instruments at fair value.

*Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake any significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year. As Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk. The Company manages currency risk exposure to other currencies by continuously monitoring the currency fluctuations. As at the reporting date, the Company's exposure to foreign currency balances was not significant.

**b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings and usually with the parent entity. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

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

|                             | <b>December 31,<br/>2020<br/>SR</b> | December 31,<br>2019<br>SR |
|-----------------------------|-------------------------------------|----------------------------|
| Cash and cash equivalents*  | <b>11,626,226</b>                   | 77,894,448                 |
| Term deposit                | <b>65,000,000</b>                   | -                          |
| Due from related parties    | <b>1,369,022</b>                    | 486,981                    |
| Trade and other receivables | <b>8,346,898</b>                    | 5,864,935                  |
|                             | <b>86,342,146</b>                   | 84,246,364                 |

\* *excluding cash in hand*

The Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for receivables.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders and from bank facilities.

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**22. FINANCIAL RISK MANAGEMENT (continued)**

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

|                          | <b>Carrying<br/>amount</b> | <b>0 to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> | <b>More than<br/>12 months</b> |
|--------------------------|----------------------------|----------------------|----------------------|-----------------------|--------------------------------|
| <b>31 December 2020:</b> |                            |                      |                      |                       |                                |
| Due to related parties   | 1,503,007                  | 1,503,007            | -                    | -                     | -                              |
| Trade and other payables | 5,670,718                  | 3,725,566            | -                    | 561,600               | 1,383,552                      |
| <b>Total</b>             | <b>7,173,725</b>           | <b>5,228,573</b>     | -                    | <b>561,600</b>        | <b>1,383,552</b>               |

As at 31 December 2019, the undiscounted value of the financial liabilities of the Company at the reporting date approximate their carrying values and are all payable within 12 months of the reporting date.

**23. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base and to sustain future development of the business.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

**24. ASSETS HELD IN FIDUCIARY CAPACITY**

As at December 31, 2020, client money held under fiduciary capacity amounted to SR 67 million (December 31, 2019: SR 53 million), and the net asset value of the assets under management held under fiduciary capacity amounted to SR 798 million (December 31, 2019: SR 1,244 million). These amounts were maintained with the Company by its customers for the purpose of investment, on their behalf, in the local and UAE equity market denominated in SR, AED and USD. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company

The Company entered into custodial service agreement with a real estate fund operating in the kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as a custodian for the fund.

**25. RETIREMENT BENEFIT INFORMATION**

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 479,524 (2019: SR 401,531).

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**26. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO**

The CMA has issued Prudential Rules (“the Rules”) dated 17 Safar 1434H (corresponding to 30 December 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules.

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

|   | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|---|------------------------------|----------------------|
|   | <b>SR 000’s</b>              | SR 000’s             |
| <b><i>Capital Base:</i></b>                         |                              |                      |
| Tier 1 Capital                                      | <b>72,918</b>                | 71,030               |
| Tier 2 Capital                                      | -                            | -                    |
| Total Capital Base                                  | <b>72,918</b>                | 71,030               |
| <b><i>Minimum Capital Requirement:</i></b>          |                              |                      |
| Market risk   | <b>173</b>                   | 31                   |
| Credit risk   | <b>4,685</b>                 | 3,691                |
| Operational risk                                    | <b>3,834</b>                 | 3,467                |
| Total minimum capital required (see note (d) below) | <b>8,692</b>                 | 7,189                |
| <b>Capital Adequacy Ratio:</b>                      |                              |                      |
| <b>Total Capital Ratio (times)</b>                  | <b>8.39</b>                  | 9.88                 |
| <b>Tier 1 Capital Ratio (times)</b>                 | <b>8.39</b>                  | 9.88                 |
| <b>Surplus in the capital</b>                       | <b>64,226</b>                | 63,841               |

- a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and audited retained earnings) and Tier 2 capital. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules and the capital base should not be less than the minimum capital requirement.
- c) The Company’s business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company’s ability to continue as a going concern, and to maintain a strong capital base.
- d) The minimum capital required as per Article 6 (g) of the Capital Market Institutions regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

**27. IMPACT OF COVID-19**

The emergence of novel coronavirus (“COVID-19”) has created economic and financial disruptions in the global economy, which has led to operational challenges that could impair the Company’s ability to manage or conduct some of its businesses. In line with many national and local guidelines, the Company has followed the local regulatory guidance encouraging remote-working arrangements and maintained its business operations continuity.

Given the disruptions in the markets, the Company is closely tracking their operational capacity. Additionally, the financial effects of the outbreak have a high degree of uncertainty, given that they are dependent on external factors such as the spread of the virus and the measures taken by the various governments. The Company continues to use its risk management framework to assess the potential impact on the operations, liquidity and capital and maintaining an active dialogue with all its relevant regulators during this period.

As a result, the Company’s management considers this outbreak as a non-adjusting subsequent event in accordance with IAS 10 – Events After the Reporting Period. As at the financial statements issuance date, the management of the Company are in the process of assessing the potential impact of COVID-19 on its business operations and any financial impact will be shown in future reporting periods.

**28. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 19 Sha’aban 1442H (corresponding to 1 April 2021).