Audi Capital Company
(Mixed Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Company
(A Mixed Closed Joint Stock Company)

Opinion

We have audited the financial statements of Audi Capital Company - A Mixed Closed Joint Stock Company (the "Company") which comprise of the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Company
(A Mixed Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Company
(A Mixed Closed Joint Stock Company) (continued)

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

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

for Ernst & Young

Fahad M. Al-Toami
Certified Public Accountant
License No. 354

Riyadh: 17 Sha'aban 1442H
(30 March 2021)

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	6	**388,114**	1,061,943
Intangible assets, net	7	**761,350**	1,882,233
Right of use assets	8	**61,388**	1,082,679
Investments at amortised cost	9	**7,394,206**	40,180,659
Deferred tax assets	19	**4,326,678**	3,815,050
Term deposit	13.2	**31,063,827**	30,136,530
TOTAL NON-CURRENT ASSETS		**43,995,563**	78,159,094
CURRENT ASSETS			
Loans to customers	10	**2,057,563**	1,210,789
Accounts receivables, prepayments and other assets	11	**13,593,506**	16,203,394
Investments at fair value through profit or loss (FVTPL)	12	**4,903,460**	5,131,744
Cash and cash equivalents	13.1	**10,321,738**	13,672,514
TOTAL CURRENT ASSETS		**30,876,267**	36,218,441
TOTAL ASSETS		**74,871,830**	114,377,535
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	15	**100,000,000**	100,000,000
Statutory reserve	16	**10,398,896**	10,398,896
Accumulated losses		**(48,440,416)**	(12,785,292)
Other reserves		**1,174,060**	998,885
TOTAL SHAREHOLDERS' EQUITY		**63,132,540**	98,612,489
NON-CURRENT LIABILITIES			
Employee defined benefit liability	17	**4,830,533**	4,552,200
Deferred income		**687,500**	2,062,500
Deferred tax liability	19	**293,478**	239,553
TOTAL NON-CURRENT LIABILITIES		**5,811,511**	6,854,253
CURRENT LIABILITIES			
Lease liability - current	8	**2,131**	1,051,767
Accrued expenses and other payables	18	**4,507,556**	5,135,947
Deferred income -current		**1,375,000**	1,375,000
Zakat and income tax payable	19	**43,092**	1,348,079
TOTAL CURRENT LIABILITIES		**5,927,779**	8,910,793
TOTAL LIABILITIES		**11,739,290**	15,765,046
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**74,871,830**	114,377,535

The attached notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
OPERATING INCOME			
Dealing and brokerage income	20	**9,255,899**	13,601,080
Managing income		**4,806,853**	14,402,588
Custody income		**4,663,078**	6,591,694
Arranging income		**-**	45,000
TOTAL OPERATING INCOME		**18,725,830**	34,640,362
Fees expense		**(459,893)**	(1,501,537)
TOTAL OPERATING INCOME, NET		**18,265,937**	33,138,825
OPERATING EXPENSES			
General and administration expenses	21	**(21,404,194)**	(25,966,396)
NET OPERATING (LOSS) INCOME		**(3,138,257)**	7,172,429
Other (expenses) income, net	22	**(274,603)**	63,098
Impairment charge for credit losses	9 & 13	**(32,753,563)**	(24,958,663)
LOSS BEFORE ZAKAT AND TAX		**(36,166,423)**	**(17,723,136)**
Zakat and tax reversal (charge)	19	**511,298**	(1,547,817)
LOSS FOR THE YEAR		**(35,655,125)**	(19,270,953)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement gain on defined benefit liability	17	**229,100**	40,700
Deferred tax charge	19	**(53,925)**	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**175,175**	40,700
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(35,479,950)**	(19,230,253)

The attached notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital SR	*Statutory reserve SR*	*Retained earnings (accumulated losses) SR*	*Other reserves SR*	*Total SR*
As at 1 January 2019	100,000,000	10,398,896	6,485,662	958,185	117,842,743
Loss for the year	-	-	(19,270,954)	-	(19,270,954)
Other comprehensive income	-	-	-	40,700	40,700
Total comprehensive loss for the year	-	-	(19,270,954)	40,700	(19,230,254)
Balance at 31 December 2019	100,000,000	10,398,896	(12,785,292)	998,885	98,612,489
Loss for the year	-	-	(35,655,125)	-	(35,655,125)
Other comprehensive income	-	-	-	175,175	175,175
Total comprehensive loss for the year	-	-	(35,655,125)	175,175	(35,479,950)
Balance at 31 December 2020	**100,000,000**	**10,398,896**	**(48,440,417)**	**1,174,060**	**63,132,539**

The attached notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	***31 December 2020 SR***	*31 December 2019 SR*
OPERATING ACTIVITIES			
Loss before zakat and tax		**(36,166,423)**	(17,723,137)
Adjustments to reconcile loss *before zakat and tax to net cash flows from operating activities:*			
Depreciation and amortization	6, 7, & 8	**2,546,753**	3,112,377
Provisions for employee benefit obligations	17	**763,433**	815,500
Exchange gains net	22	**(18,207)**	4,312
Amortization of premium		**34,964**	417,147
Impairment charge for credit losses	9 & 13.2	**32,753,563**	24,958,663
Loss on disposal of investment	20	**(806)**	3,410,782
Accretion of interest on lease	8	**17,433**	68,787
Unrealized gain on investment at FVTPL		**228,285**	(131,744)
Loss on disposal	22	**289,274**	-
Operating cash flows before working capital changes		**448,269**	14,932,687
Accounts receivable, prepayments and other assets		**2,609,888**	3,566,416
Loan to customers		**(846,774)**	1,963,355
Accrued expenses and other payables		**(612,260)**	(1,102,402)
Deferred income		**(1,375,000)**	3,437,500
Net cash flow from operations		**224,123**	22,797,556
Zakat and income tax paid	19	**(1,305,317)**	(659,613)
End of service benefits paid	17	**(256,000)**	(403,100)
Net cash used in (from) operating activities		**(1,337,194)**	21,734,843
INVESTING ACTIVITIES			
Purchase of investments at FVTPL		**(15,500)**	(5,000,000)
Proceeds from disposal of investments at FVPL		**16,306**	-
Proceeds from disposal of investments at amortised cost		**-**	31,934,320
Additions to term deposits		**(927,297)**	(41,258,800)
Purchase of property and equipment		**(17,195)**	(397,892)
Purchase of intangible assets		**(2,827)**	(264,832)
Net cash flows used in investing activities		**(946,513)**	(14,987,204)
FINANCING ACTIVITY			
Payment of lease liability		**(1,067,069)**	(1,069,200)
Cash flows used in financing activity		**(1,067,069)**	(1,069,200)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,350,776)**	5,678,439
Cash and cash equivalents at the beginning of the year	13	**13,672,514**	7,994,075
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**10,321,738**	13,672,514
Supplemental information			
Change in actuarial valuation		**(229,100)**	(40,700)
Special commission income received		**-**	8,877,051
Addition to right of use assets		**-**	2,101,180
Addition to lease liability		**-**	(2,052,180)

The attached notes 1 to 29 form an integral part of these financial statements.

1 COMPANY INFORMATON AND ACTIVITIES

Audi Capital Company (the "Company") is a Mixed Closed Joint Stock Company, incorporated and domiciled in Riyadh, Kingdom of Saudi Arabia. The Company has obtained a license number 692 dated 2 Jumad Al Awal 1427H (corresponding to 30 May 2006) from the Saudi Arabian General Investment Authority ("SAGIA"). The Company is registered under commercial registration number 1010226747 dated 18 Dhul Hajjah 1427H (corresponding to 8 January 2007). The Company has also obtained a license number 06017-37 dated 22 Rabi Al Thani 1427H (corresponding to 20 May 2006) from the Capital Market Authority (the "CMA"). The registered office is located at Centria Building, Prince Mohammad bin Abdulaziz Road (Tahlia), Riyadh, Kingdom of Saudi Arabia.

The Company is licensed to act as principal and agent, to underwrite and manage mutual funds and portfolios and to provide arranging, advising, custodial and international brokerage services.

2 BASIS OF PREPARATION

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

b) Basis of measurement
These financial statements have been prepared under the historical cost convention, except for investments at fair value through profit or loss ("FVTPL") are measured at fair value.

c) Functional and presentation currency
The financial statements are presented in Saudi Riyals ("SR") which is the Company's functional currency. All values have been rounded to the nearest Saudi Riyal, except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

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

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

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments

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

i) Financial assets

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through profit or loss or through other comprehensive income ("OCI").

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Debt instruments

The Company uses two classifications to subsequently measure and recognize its debt instruments:

- *Amortised cost*

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Time deposits, due from related parties and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are measured at amortised cost.

- *Fair Value through Profit or Loss ("FVPL")*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and which is not part of a hedging relationship is recognised and presented net in the profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss even following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive dividend is established.

Changes in the fair value of equity instruments at fair value through profit or loss are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)

i) Financial assets (continued)

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

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

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs.

The Company's financial liabilities mainly include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

All other financial liabilities that are not carried at fair values are subsequently measured at amortized cost.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)

iii) Financial assets (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3.3 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included, if any, in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Asset categories	*Useful lives*
Furniture, fixtures and improvements	10 years
Office equipment and computers	4 years
Motor vehicles	4 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted prospectively if appropriate. Impairment losses and gains (losses) on disposal of property and equipment are included in statement of comprehensive income.

3.4 Intangible assets
Intangible assets of the Company comprise computer software.

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

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized cost of internally developed software include all cost directly attributable to developing the software and is amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and accumulated impairment, if any.

Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Employee benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits scheme is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'general and administration expenses' in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

3.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.7 Zakat and income tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian regulations and is charged to profit or loss on an accrual basis. This is adjusted, if applicable, upon receiving the final zakat assessment.

Income tax

Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat and tax (continued)

Deferred tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

3.8 Provision

Provisions for legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted where the effect is material.

3.9 Contingent liabilities

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

3.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

3.11 Revenue

The Company is in the business of providing services which are set out below. Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Dealing income

Dealing activities include trading in a security, whether as principal or agent, and to sale, purchase and to manage the subscription for/of underwriting securities. Income from dealing services is recognized when the performance obligations have been satisfied.

Managing income

Managing activities include managing securities and funds belonging to another person in circumstances involving the exercise of discretion. Management fees is recognised on an accrual basis over the period as the Company renders services. The performance fee income is based on a portfolio’s performance. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, the effect of the clawback does not apply since the Company does not recognize any revenue against the performance fee until the end of the relevant period. If the benchmark has been achieved, this is when the performance fee is crystallized and recorded as revenue.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Revenue (continued)

Advisory income
Advising activities include advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security. This relates to income generated by providing financial advisory services to counterparties, individuals and institutional investors. The Company charges financial advisory service fees and recognises this as revenue upon delivery of services or once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

Arranging income
Arranging activities include introducing parties in relation to securities business, advising on corporate finance business or acting in a way to bring about a deal in a security. Revenue for arranging services is recognized at a point in time when the promises for the facilities are completed.

Custody income
Custody activities include safeguarding assets belonging to another person including securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures. Revenue from custody activities are recognized once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

3.12 Net gain or loss on financial assets at fair value through profit or loss
Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

3.13 Dividend income
Dividend income is recognised on the date when the Company's right to receive the dividend is established.

3.14 Interest revenue and expense
Interest revenue and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the assets and liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in dealing income /interest expense in the statement of profit or loss, if it does not qualify for capitalisation. Fee and commission income that are integral to EIR calculation are included in the measurement of the relevant assets. Fee and commission income that are not an integral part of the EIR calculation on a financial asset or liability are recognised when the related service is provided.

3.15 Fees and expenses
Fees related to managing, custody, arranging, advising, dealing, and other similar services are recognized when the related services are received.

General and administration expenses are mainly staff costs, professional fees and rent. All other expenses are classified based on their nature in profit or loss.

3.16 Dividends
Final dividend is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders. Interim dividend is recorded as a liability and when approved by the Board of Directors.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Leases

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

Right of Use Assets
The Company applies the cost model, and measures right of use assets at cost:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the RoU asset value.

Lease Liability
On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:
a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease payments are discounted using the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The Company does not have any finance lease arrangements.

3.18 Changes in accounting policies and disclosures

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Changes in accounting policies and disclosures (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) **-** The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues.

Phase (2) – The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR).

Under these temporary exceptions, interbank offered rates (IBOR) are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved. The application of this set of temporary exceptions is mandatory for accounting periods starting on or after January 01, 2020. Significant judgement will be required in determining when uncertainty is expected to be resolved and therefore when the temporary exceptions will cease to apply. These reforms have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in accordance with IFRS as endorsed in KSA requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

4.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

4.2 Measurement of employment defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

4.3 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 useful lives and residual value of the assets at least annually at the end of each financial year and the future depreciation / amortisation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify requirements for classifying liabilities as current and non-current. Specifically, 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, and 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.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Specifically, the amendments apply a "directly related cost approach" to a contract for goods or services whereby both incremental costs and an allocation of costs directly related to the contract activities are included. General and administrative costs are included only if explicitly chargeable to the counterparty under contract

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

Amendments to IFRS 9: Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its annual improvements to IFRS standards process, the IASB issued an amendment that clarifies 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. The amendment is to be applied 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 amendments are effective for annual reporting periods beginning on or after 1 January 2022.

6. PROPERTY AND EQUIPMENT, NET

2020	*Furniture, fixtures and improvements SR*	*Office equipment and computers SR*	*Motor vehicles SR*	*Total SR*
Cost:				
At the beginning of the year	7,366,929	9,113,389	139,700	**16,620,018**
Additions during the year	-	17,196	-	**17,196**
Disposals during the year	(1,286,496)	-	-	**(1,286,496)**
At the end of the year	6,080,433	9,130,585	139,700	**15,350,718**
Accumulated depreciation:				
At the beginning of the year	6,756,649	8,661,726	139,700	**15,558,075**
Depreciation charge for the year	193,953	207,798	-	**401,751**
Relating to disposals	(997,222)	-	-	**(997,222)**
At the end of the year	5,953,380	8,869,524	139,700	**14,962,604**
Net book amounts:				
At 31 December 2020	127,053	261,061	-	**388,114**

2019	*Furniture, fixtures and improvements SR*	*Office equipment and computers SR*	*Motor vehicles SR*	*Total SR*
Cost:				
At the beginning of the year	7,366,929	8,715,497	139,700	16,222,126
Additions during the year	-	397,892	-	397,892
At the end of the year	7,366,929	9,113,389	139,700	16,620,018
Accumulated depreciation:				
At the beginning of the year	6,553,519	8,326,281	139,700	15,019,500
Depreciation charge for the year	203,130	335,445	-	538,575
At the end of the year	6,756,649	8,661,726	139,700	15,558,075
Net book amounts:				
At 31 December 2019	610,280	451,663	-	1,061,943

7. INTANGIBLE ASSETS, NET

Intangible assets comprise of software that is depreciated on a straight line basis over an estimated useful life of 4 years.

	31 December 2020 SR	*31 December 2019 SR*
Cost		
At the beginning of the year	**12,243,016**	11,978,184
Additions during the year	**2,827**	264,832
At the end of the year	**12,245,843**	12,243,016
Accumulated amortization		
At the beginning of the year	**10,360,783**	8,805,482
Amortization charge for the year	**1,123,711**	1,555,301
At the end of the year	**11,484,494**	10,360,783
Net book value		
At the end of year	**761,350**	1,882,233

8. RIGHT OF USE ASSET

The right of use asset – building comprises of the Company's office lease that is amortized on a straight line basis over the lease term.

	SR
Cost	
At the beginning of the year	**2,101,180**
At the end of the year	**2,101,180**
Accumulated amortization	
At the beginning of the year	**1,018,501**
Amortization charge for the year	**1,021,291**
At the end of the year	**2,039,792**
Net book value	
At the end of year	**61,388**

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

	SR
At the beginning of the year	**1,051,767**
Accretion of interest	**17,433**
Payments during the year	**(1,067,069)**
At the end of the year - current	**2,131**

9. INVESTMENT AT AMORTISED COST

Investments at amortised cost consists of the following debt instruments:

	Maturity date	***31 December 2020 SR***	*31 December 2019 SR*
Non-current assets			
Foreign government notes-fixed rate	26 May 2023	**54,854,966**	54,889,930
Provision for expected credit losses		**(47,460,760)**	(14,709,271)
Total investments at amortised cost		**7,394,206**	40,180,659

Movement in expected credit losses is as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**14,709,271**	872,878
Charge during the year	**32,751,489**	14,183,401
Reversal of expected credit loss	**-**	(347,008)
At the end of the year	**47,460,760**	14,709,271

The expected credit loss allowance relates to Stage 3 exposure.

Subsequent to the year ended 31 December 2020, the Company has disposed the above mentioned investment to an affiliate and received cash proceeds. The proceeds have been deposited in the Company's international bank account maintained with an independent affiliate bank registered in Switzerland

10. LOANS TO CUSTOMERS

	31 December 2020 SR	*31 December 2019 SR*
Loans to customers	**2,057,563**	1,210,789

Loans to customers represent securities lending transactions as allowed by the CMA. These are short term loans to individuals bearing average annual interest at 3.55% (2019: 5.11%). The repayment period is 6 months and the loans are secured by local equities and units in open-ended funds provided by the customers. The ECL related to loans to customers is insignificant and therefore management has not recorded such ECL in these financial statements.

11. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	31 December 2020 SR	*31 December 2019 SR*
Advance income tax/ tax refund receivable (note 19)	**6,328,938**	6,328,938
Management and advisory fees receivable	**3,408,802**	5,508,992
Accrued special commission income	**1,853,166**	2,193,658
Prepaid charges	**500,884**	943,704
Advances to staff	**345,502**	810,901
Advance to supplier	**932,328**	-
Others	**223,886**	417,201
	13,593,506	16,203,394

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the previous year, the Company acquired 133,333 units of Audi Income Fund.

	31 December 2020 SR	*31 December 2019 SR*
Cost	**5,001,744**	5,001,744
Unrealised (loss) gain	**(98,284)**	130,000
Market value	**4,903,460**	5,131,744

13.1 CASH AND CASH EQUIVALENTS

	31 December 2020 SR	*31 December 2019 SR*
Cash in hand	**28,375**	25,486
Bank balances	**8,406,146**	3,020,828
Short term deposits	**1,887,217**	10,626,200
	10,321,738	13,672,514

Short term deposits carry an average interest rate of 4% (31 December 2019: 1.70% - 2.3%) per annum.

The Company has bank balances that amount to SAR 1,030,231 that are subject to ongoing capital control restrictions in Lebanon. As of date, these bank balances cannot be transferred from the Company's bank accounts in Lebanon to bank accounts held in the Kingdom of Saudi Arabia.

13.2 TERM DEPOSIT

	31 December 2020 SR	*31 December 2019 SR*
Medium term deposit	**42,188,172**	41,258,800
Provision for expected credit losses	**(11,124,345)**	(11,122,270)
	31,063,827	30,136,530

Term deposits carry an average interest rate of 10% (31 December 2019: 10%) per annum. During the prior year, certain interest received upfront which has been amortised over the term of the deposit.

The expected credit loss allowance relates to Stage 2 exposures.

Subsequent to the year ended 31 December 2020, the Company has liquidated the above mentioned time deposit maintained with Banque Audi – Lebanon and received cash proceeds in addition to certain debt securities. These debt securities were immediately sold and the total proceeds have been deposited in the Company's international bank account maintained with an independent affiliate bank registered in Switzerland.

14. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise the shareholders and affiliated companies. The Company enters into transactions with related parties in the normal course of its business.

The following are details of major related party transactions during the year and its balances at the end of the year:

		Transactions	
Relationship	***Nature***	***2020 SR***	*2019 SR*
Affiliates	Custody income	**7,003**	43,888
	Dealing income	**405,637**	337,007
	Managing income	**1,626,694**	2,382,373
	Fee expense	**(154,832)**	(370,541)
	General and administration expenses	**(855,557)**	(950,297)
Shareholders	Custody income	**822,913**	646,663
	Dealing income	**3,091,706**	3,261,947
	Managing income	**286,028**	(76,388)
	Fee expense	**(235,410)**	(643,801)
	Special commissions	**3,680,239**	1,856,503

The remuneration to the Board of Directors, Audit committee and key management personnel is as follows:

	2020 SR	*2019 SR*
Board of Directors meeting attendance fees	**200,000**	200,000
Audit Committee meeting attendance fees	**200,000**	200,000
Key management personnel	**3,752,607**	3,588,148

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Relationship	*Nature*	***31 December 2020 SR***	*31 December 2019 SR*
Affiliates	Cash and cash equivalents	**220,070**	528,182
	Accounts receivables, prepayments and other assets	**169,130**	722,747
	Accrued expenses and other payables	**138,645**	510,315
Shareholders	Cash and cash equivalents	**33,993,088**	41,308,235
	Accounts receivables, prepayments and other assets	**3,046,594**	3,584,016
	Accrued expenses and other payables	**308,619**	157,463

15. SHARE CAPITAL

	31 December 2020 SR	*31 December 2019 SR*
Ordinary shares (SR 10 per share)	**100,000,000**	100,000,000

The Company's authorised share capital of SR 100 million (31 December 2019: SR 100 million) is divided into 10 million shares (31 December 2019: 10 million shares) of SR 10 each, which is fully paid.

16. STATUTORY RESERVE

As required by the Saudi Arabian Companies' Law, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to a statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution. Since the Company incurred a loss during the current year, no transfer was made.

17. EMPLOYEE DEFINED BENEFIT LIABILITIES

The movement in provision for end-of-service benefits for the year ended as follows:

	31 December 2020 SR	*31 December 2019 SR*
Balance at beginning of the year	**4,552,200**	4,180,500
Charge for the year	**763,433**	815,500
Actuarial gain on remeasurement	**(229,100)**	(40,700)
Paid during the year	**(256,000)**	(403,100)
Balance at the end of the year	**4,830,533**	4,552,200

The charge for the year in profit or loss comprises:

	31 December 2020 SR	*31 December 2019 SR*
Current service cost	**608,600**	600,400
Interest cost	**154,833**	215,100
	763,433	815,500

The above is based on actuarial valuation carried out by the Company using the projected unit credit method.

17. EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

Significant actuarial assumptions

The following were the principal actuarial assumptions used in the actuarial valuation:

	31 December 2020	*31 December 2019*
Financial assumptions		
Discount rate	**3.00%**	4.50%
Salary growth rate	**3.75%**	3.75%
Demographic assumptions		
Retirement age	**60 years**	60 years

18. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020 SR	*31 December 2019 SR*
Accrued expenses	**2,844,282**	1,792,585
Accounts payables and other	**1,663,274**	1,467,962
Accrued staff bonus	**-**	1,875,400
	4,507,556	5,135,947

19. ZAKAT AND INCOME TAX

Charge for the year:

	31 December 2020 SR	*31 December 2019 SR*
Zakat	**330**	327
Current income tax	**-**	1,300,661
Deferred tax	**(511,628)**	246,829
Zakat and tax charge for the year	**(511,298)**	1,547,817

19. ZAKAT AND INCOME TAX (continued)

a) Zakat

The zakat charge amounting to SR 330 (2019: SR 327) represents provision for the current year.

	31 December 2020 SR	*31 December 2019 SR*
Share capital	**100,000,000**	100,000,000
Retained earnings	**(12,785,292)**	6,572,904
Statutory reserve	**10,398,896**	10,398,896
Provisions	**30,127,791**	4,650,278
Other reserve	**998,885**	958,185
Others	**2,062,500**	-
	130,802,780	122,580,263
Book value of non-current assets	**(1,149,463)**	(4,026,855)
	129,653,317	118,553,408
Adjusted (loss) income for the year	**(1,794,851)**	12,401,362
Zakat base	**127,858,466**	130,954,770
Saudi shareholders’ share of the zakat base at 0.01% (2018: 0.01%)	**12,786**	13,095
Zakat charge at 2.5%	**330**	327

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**361**	316
Charge for the year	**330**	327
Paid during the year	**(329)**	(282)
At the end of the year	**362**	361

19. ZAKAT AND TAX (continued)

b) Income tax

Charge for the year

During the current year, the Company provided for income tax of SR Nil (2019: SR 1,300,661), relating to the non-Saudi shareholders' holding of 99.99% (2019: 99.99%) of the share capital.

Movements in provision during the year

The movement in the income tax provision for the year was as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**1,347,718**	706,388
Charge for the year	**-**	1,300,661
Paid during the year	**(1,304,988)**	(659,331)
At the end of the year	**42,730**	1,347,718

c) Deferred tax

	31 December 2020 SR	*31 December 2019 SR*
Deferred tax asset- profit or loss		
Employee defined benefit liabilities	**1,259,591**	1,158,128
Carried forward taxable losses	**1,435,183**	1,124,867
Property and equipment	**1,631,904**	1,532,055
	4,326,678	3,815,050
Deferred tax liability- OCI		
Employee defined benefit liability	**293,478**	239,553

d) Status of assessment

On 26 July 2017, Higher Appeal Committee ("HAC") issued its resolution in response to Company's appeals relating to assessments for the years 2007 and 2008 in favor of the Company for almost all of the disputed items which resulted in a revised assessment issued by the General Authority of Zakat and Tax (the "GAZT") resulting in a refund of SR 5,272,130. Previously, the Company, based on its internal assessment, had only accounted for an advance tax amounting to SR 3,513,974 and therefore the Company recorded an additional tax credit of during 2017.

Accordingly, the tax position for the year 2007 and 2008 was concluded as per the revised assessment issued by GAZT based on its letter no. 11973/16/1439 dated 1/4/1439 corresponding to 19 December 2017. In addition, the Company has an advance tax payment of SR 1,056,808 paid during 2015. Therefore, the total advance tax asset as of 31 December 2019 amounts to SR 6,328,938 (31 December 2018: SR 6,328,938).

During 2018, the Company received assessments from the GAZT for the years 2009 to 2012 resulting in additional zakat, income tax and withholding tax liabilities amounting to a total of SR 4,235,607, in addition to delay penalties. The Company has filed an appeal providing its detailed arguments against such assessments. The GAZT issued revised zakat and income tax assessments for the said years with additional zakat and tax liabilities amounting to a total of SR 288,953 (i.e. a total reduction from the first assessments in amount of SR 3,946,654), in addition to delay penalties. The Company did not agree with the GAZT's revised assessments and escalated its case with the General Secretary of Appeal Committees ("GSTC"). The case is still under review by the GSTC. The Company's management believes that there will be no additional tax and Zakat liabilities. Accordingly, no additional provision is made in these financial statements.

19. ZAKAT AND TAX (continued)

d) Status of assessment (continued)

During 2019, the Company received assessments from the GAZT for the years 2013 to 2015 resulting in additional zakat, income tax and withholding tax liabilities amounting to a total of SR 4,649,585, in addition to delay penalties. The Company filed an appeal providing its detailed arguments against such assessments. The GAZT issued the revised assessments for the said years with additional zakat and income tax liabilities amounting to a total of SR 1,090,716 (i.e. a total reduction from the first assessments in amount of SR 3,558,869), in addition to delay penalties. The Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC. The case is still under review by the GSTC. The Company's management believes that there will be no additional tax and Zakat liabilities.

Additionally, on 8 July 2019, the Company received assessments from the GAZT for the years 2016 and 2017. The assessment for 2016 resulted in additional zakat and tax liabilities amounting to a total of SR 377,737, in addition to delay penalties. The Company has filed an appeal providing its detailed arguments against such assessment. The GAZT issued the revised assessment for the said year with no additional tax or zakat liability as it accepted most of the items. However, the Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC in order reserve its right for the carry forward losses. The case is still under review by the GSTC and no hearing session was set up until to date. For the 2017 assessment, the GAZT has accepted the Company return year with no additional tax or zakat liability and cleared the Company's status for the mentioned year.

Finally, the Company received a withholding tax assessment for December 2017 amounting to SR 58,088. The Company has filed an appeal providing its detailed arguments against such assessments. The GAZT issued a revised assessment with an additional withholding liability amounting to SR 40,934, in addition to delay penalties. The Company did not agree with the GAZT's revised assessment and escalated its case with the GSTC. The case is still under review by the GSTC and no hearing session was set up until to date. The Company's management believes that there will be no additional tax and Zakat liabilities.

20. DEALING AND BROKERAGE INCOME

	31 December 2020 SR	*31 December 2019 SR*
Brokerage income	**5,570,931**	10,323,385
Special commission income	**3,432,951**	6,667,708
Loss on disposal of investment at amortised cost	**-**	(3,410,782)
Dividend income	**252,017**	20,769
	9,255,899	13,601,080

21. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Employee costs	**11,946,490**	15,771,895
Legal and professional fees	**1,684,343**	1,670,430
IT related expenses	**1,537,079**	1,555,970
Depreciation and amortization expense (notes 6 and 7)	**1,525,462**	2,093,876
Right of use asset amortization (note 8)	**1,021,291**	1,018,501
Rent and utility expenses	**511,798**	590,511
Board of Directors' and Audit Committee remuneration	**400,000**	400,000
Regulatory fees	**266,588**	236,512
Travel and related expenses	**132,435**	494,193
Others	**2,378,708**	**2,134,508**
	21,404,194	25,966,396

22. OTHER INCOME, NET

	31 December 2020 SR	*31 December 2019 SR*
Foreign exchange gains, net	**18,207**	(4,313)
Miscellaneous income	**(3,536)**	67,411
Loss on disposal of property and equipment	**(289,274)**	-
	(274,603)	63,098

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	*31 December 2019 SR*
Financial assets at amortised cost		
Investments at amortised cost	**7,394,206**	40,180,659
Term deposit	**31,063,827**	30,136,530
Loans to customers	**2,057,563**	1,210,789
Accounts receivable and other assets	**6,034,576**	8,930,752
	46,550,172	80,458,730
Financial assets at fair value through profit or loss	**4,903,460**	5,131,744
	51,453,632	85,590,474
Total current	**12,995,598**	15,273,285
Total non-current	**38,458,034**	70,317,189

Set out below is an overview of financial liabilities held by the Company as at 31 December 2020 and 31 December 2019.

	31 December 2020 SR	*31 December 2019 SR*
Financial liabilities at amortised cost		
Lease liability - current	**2,131**	1,051,767

24. ASSETS UNDER MANAGEMENT

These represent funds invested by the Company on behalf of its customers under a fiduciary arrangement. The investments are made in different financial instruments such as time placements, equity instruments, mutual funds and bonds. These amounts are summarized below.

31 December 2020	***Cash***	***Funds***	***Bonds***	***Equities***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***
Advisory Clients	**207,816,765**	**95,809,573**	**405,223,341**	**1,814,811,100**	**2,523,660,779**
Managed Mutual Funds	**1,162,547**	**-**	**23,103,208**	**63,777,539**	**88,043,294**
Discretionary Clients	**18,259,603**	**-**	**9,206,133**	**290,429,787**	**317,895,523**
	227,238,915	**95,809,573**	**437,532,682**	**2,169,018,426**	**2,929,599,596**

31 December 2019	*Cash*	*Funds*	*Bonds*	*Equities*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Advisory Clients	299,474,159	139,014,518	585,275,122	1,663,672,930	2,687,436,729
Managed Mutual Funds	5,127,237	-	34,838,531	95,543,991	135,509,759
Discretionary Clients	98,735,384	34,385,054	10,463,581	288,609,680	432,193,699
	403,336,780	173,399,572	630,577,234	2,047,826,601	3,255,140,187

Pledge to third party

As at 31 December 2020, certain customers have pledged their investments, amounting to SR 219,938,211 (2019: SR 530,463,731), against their borrowings from the Company and from third parties.

25. FAIR VALUE

As at 31 December 2020 the Company has SR 4,903,461 (2019: SR 5,131,744) financial assets measured at fair values, and no financial liabilities that are measured at fair values, which can be classified within level 2 of the fair value hierarchy. Other than the above and the investments carried at amortized cost, the fair values of all other financial assets and liabilities carried are not significantly different from their carrying amounts. The fair values of investments at amortized cost amounts to SR 7,394,206 (31 December 2019: SR 40,180,659) and these are classified within level 2 of the fair value hierarchy.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, operational risk and credit risk arising from the financial instruments it holds.

Risk management structure

The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk measurement and reporting system

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on scenario analysis. The models make use of various stress testing and scenario analysis in order to report assumptions and results.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of performing a risk before entering in any relationship with the counterparty. The assessments are reviewed at least yearly. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

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

	31 December 2020 SR	*31 December 2019 SR*
Loans to customers	**2,057,563**	1,210,789
Accounts receivable and other assets	**6,034,556**	8,930,752
Investments at amortised cost	**7,394,226**	40,180,659
Investments at fair value through profit or loss	**4,903,460**	513,744
Term deposits	**31,063,827**	30,136,530
	51,453,632	80,972,474

Cash equivalents

Credit risk on cash equivalents is limited as these balances are held with banks with sound credit ratings.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Credit concentration
Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date other than the portfolio of investments at amortized costs which consists entirely of Lebanese government bonds.

Expected credit losses ("ECL") on financial assets
The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment including forward-looking information. The Company groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the Lifetime ECL.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modeling, the remaining lifetime PD is determined to have increased significantly.

The key inputs into the measurement of ECL are the term structure of the following variables:

a. probability of default (PD);
b. loss given default (LGD);
c. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models, regulatory inputs (e.g. in case of LGD) and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on analytical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These analytical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PD's are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

26. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Expected credit losses ("ECL") on financial assets
EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from shareholders and related parties at all times to meet any future commitments, and financing facilities are available. Financial liabilities comprise of other payables and these are due within one year. The undiscounted values of financial liabilities of the Company at the reporting date are not materially different than their carrying values.

Market risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities and bank deposits carry fixed interest rates and are carried at amortized costs and accordingly management believes that the Company is not exposed to any significant interest rate risk.

Equity price risk
The value of equity investments is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments. As at 31 December 2020 and 31 December 2019, the Company has no equity instruments hence is not subject to such risk.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk, as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals and US Dollars. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year and Saudi Riyals is pegged to the US Dollars.

27. CAPITAL ADEQUACY

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

	31 December 2020 SR 000	*31 December 2019 SR 000*
Capital Base		
Tier I	**58,045**	92,915
Total Capital Base	**58,045**	92,915
Minimum Capital Requirement:		
Market risk	**1,930**	2,609
Credit risk	**13,953**	43,290
Operational risk	**5,351**	6,492
Total Minimum Capital Required	**21,234**	52,391
Capital adequacy ratio		
Total Capital Ratio (times)	**2.73**	1.77
Tier 1 Capital Ratio (times)	**2.73**	1.77
Surplus	**36,810**	40,524

a. The capital base consists of Tier 1 capital (which includes share capital, statutory reserve, audited retained earnings less intangible assets and deferred tax assets) and Tier 2 capital (which is Nil) as per article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

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

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

d. No changes were made in the objectives, policies or processes for managing capital during the current and prior year.

28. EVENTS AFTER THE REPORTING PERIOD

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. On 30 January 2020, the International Health Regulations Emergency Committee of WHO declared the outbreak as “Public Health Emergency of International Concern” arising from the coronavirus outbreak, and on 11 March 2020, the WHO announced that the coronavirus outbreak can be characterised as a pandemic.

The Saudi Arabian governments, consistent with many other governments around the world have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain area. These measures could result in overall impact of macro-economic condition in which the Company holds its assets.

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

In the opinion of management, other than above, no other events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 30 March 2021 (corresponding to 17 Sha’aban 1442H).