ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alistithmar for Financial Securities and Brokerage Company
(A Saudi Closed Joint Stock Company)

Opinion
We have audited the financial statements of Alistithmar for Financial Securities and Brokerage 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 shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters
The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements dated 23 March 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 statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alistithmar for Financial Securities and Brokerage Company
(A Saudi Closed Joint Stock Company) (continued)

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

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

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

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

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

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

- 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: 11 Sha'aban 1442 H
(24 March 2021)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
All amounts in Saudi Riyals unless otherwise state

	Notes	***2020***	*2019*
ASSETS			
Non-current assets			
Right-of-use assets	4	**111,143**	3,177,355
Property and equipment, net	5	**1,259,403**	737,970
Intangible asset, net	6	**2,683,475**	1,864,034
Investments at fair value through other comprehensive income (FVTOCI)	7	**-**	6,628,798
Goodwill	8	**11,879,718**	11,879,718
Total non-current assets		**15,933,739**	24,287,875
Current assets			
Cash and cash equivalents	9	**709,692**	835,059
Investments at fair value through profit or loss (FVTPL)	7	**34,970,014**	18,804,533
Margin loans and murabaha financing	10	**636,322,381**	486,794,733
Accrued fees and commission income	11	**25,806,691**	29,799,245
Prepaid expenses and other assets	12	**3,549,972**	4,925,502
Total current assets		**701,358,750**	541,159,072
TOTAL ASSETS		**717,292,489**	565,446,947
LIABILITIES AND SHAREHOLDER’S EQUITY			
Non-current liabilities			
Employees’ termination benefits	14	**18,293,513**	15,891,112
Employees’ long-term benefits	15	**5,552,690**	50,985
Lease liabilities – non current portion	4	**79,668**	108,411
Total non-current liabilities		**23,925,871**	16,050,508
Current liabilities			
Bank overdraft	21	**197,519,110**	112,594,666
Accrued expenses and other liabilities	16	**29,663,951**	25,630,859
Lease liabilities – current portion	4	**57,923**	3,126,681
Zakat payable	17	**12,500,000**	19,533,606
Income tax payable	17	**-**	412,177
Total current liabilities		**239,740,984**	161,297,989
TOTAL LIABILITIES		**263,666,855**	177,348,497
Shareholder’s equity			
Share capital	13	**250,000,000**	250,000,000
Statutory reserve		**34,252,622**	27,639,278
Retained earnings		**169,373,012**	109,848,006
Investment revaluation reserve		**-**	611,166
TOTAL SHAREHOLDER’S EQUITY		**453,625,634**	388,098,450
TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY		**717,292,489**	565,446,947

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts in Saudi Riyals unless otherwise stated

	Notes	***2020***	*2019*
OPERATING INCOME			
Brokerage fee income, net		**106,998,436**	35,180,968
Asset management fee, net		**30,083,642**	42,195,262
Commission income on Margin loans and murabaha Financing		**27,506,993**	23,044,937
Realized gain on sale of investments at FVTPL	7	**-**	2,387,264
Unrealized gain on investments at FVTPL	7	**1,165,481**	1,345,307
Investment banking fee, net		**943,750**	1,010,000
Other income		**1,118,152**	840,245
Total operating income		**167,816,454**	106,003,983
OPERATING EXPENSES			
Salaries and employee related expenses		**58,173,836**	50,227,307
Business service charges	21	**2,293,952**	1,099,276
Commission expense on bank overdraft	21	**3,003,681**	499,077
Subscription fees		**2,985,536**	3,030,491
Depreciation and amortization	5,6	**1,476,638**	1,890,804
Amortization of right-of-use assets	4	**3,066,212**	3,066,207
Legal and professional fees		**1,133,928**	1,755,837
Expected credit loss provision	18	**(115,755)**	(177,977)
Other general, administrative and marketing expenses	19	**14,396,204**	10,399,803
Finance charge on lease	4	**23,801**	189,336
Total operating expenses		**86,438,033**	71,980,161
Profits before zakat and income tax		**81,378,421**	34,023,822
Zakat	17	**(15,550,450)**	(13,030,000)
Income tax	17	**305,467**	(70,000)
Deferred tax		**-**	(108,000)
		(15,244,983)	(13,208,000)
NET PROFIT FOR THE YEAR		**66,133,438**	20,815,822
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss:			
Realized (loss) gain on sale of investments at FVTOCI		**(615,023)**	3,965,495
Net change in fair value of investments at FVTOCI	7	**-**	611,166
Actuarial remeasurement of employees' termination benefits	14	**8,769**	346,573
Other comprehensive (loss) income for the year		**(606,254)**	4,923,234
Total comprehensive income for the year		**65,527,184**	25,739,056
EARNINGS PER SHARE (Saudi Riyals):	20		
Basic and diluted		**2.65**	0.83

The accompanying notes 1 to 28 form part of these financial statements

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDER’S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts in Saudi Riyals unless otherwise stated

	Share Capital	*Statutory Reserve*	*Retained Earnings*	*Investment Revaluation Reserve*	*Total*
January 1, 2020	**250,000,000**	**27,639,278**	**109,848,006**	**611,166**	**388,098,450**
Net profit for the year	-	-	**66,133,438**	-	**66,133,438**
Other comprehensive income	-	-	**(606,254)**	-	**(606,254)**
Total comprehensive income for the year	-	-	**65,527,184**	-	**65,527,184**
Transfer to statutory reserve	-	**6,613,344**	**(6,613,344)**	-	-
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	**611,166**	**(611,166)**	-
December 31, 2020	**250,000,000**	**34,252,622**	**169,373,012**	**-**	**453,625,634**
January 1, 2019	250,000,000	25,557,696	86,550,778	250,920	362,359,394
Net profit for the year	-	-	20,815,822	-	20,815,822
Other comprehensive income	-	-	346,573	4,576,661	4,923,234
Total comprehensive income for the year	-	-	21,162,395	4,576,661	25,739,056
Realized gain on sale of investments at FVTOCI	-	-	4,216,415	(4,216,415)	-
Transfer to statutory reserve	-	2,081,582	(2,081,582)	-	-
December 31, 2019	250,000,000	27,639,278	109,848,006	611,166	388,098,450

The accompanying notes 1 to 28 form part of these financial statements

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
All amounts in Saudi Riyals unless otherwise stated

	Note	***2020***	*2019*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before zakat and income tax		**81,378,421**	34,023,822
Adjustments to reconcile net profit to net cash used in operating activities:			
Depreciation and amortization	5,6	**1,476,638**	1,890,804
Amortization of right of use assets	4	**3,066,212**	3,066,207
Provision for employee termination benefits		**2,534,341**	2,612,468
Provision (reversal) of employee long-term benefits		**5,563,153**	(345,317)
Realized gain on sale of FVTPL		**-**	(2,387,264)
Unrealized (gain) of FVTPL		**(1,165,481)**	(1,345,307)
Reversal/ credit loss provision	18	**(115,755)**	(177,977)
Finance charge on lease	4	**23,801**	189,336
Gain on sale of property and equipment		**(6,344)**	-
Changes in working capital:			
Margin loans and murabaha financing		**(149,527,648)**	(109,888,342)
Accrued fees and commission income		**4,067,631**	(1,360,096)
Prepaid expenses and other assets		**1,415,895**	(820,904)
Accrued expenses and other liabilities		**4,033,092**	(7,551,915)
Employee termination benefits paid	14	**(123,171)**	(594,084)
Employee long term benefits paid	15	**(61,448)**	(5,970,718)
Zakat paid	17	**(22,584,056)**	(8,294,436)
Income tax paid	17	**(106,710)**	(197,441)
Net cash used in operating activities		**(70,131,428)**	(97,151,164)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangibles	6,7	**(2,817,586)**	(779,190)
Proceed from disposal of property and equipment		**6,417**	-
Purchase of investments at FVTPL		**(15,000,000)**	**-**
Purchase of investments at FVTOCI		**(131,800)**	(22,728,884)
Proceeds from sale of investments at FVTPL		**-**	11,888,514
Proceeds from sale of investments at FVTOCI		**6,145,576**	22,846,467
Net cash used in (from) investing activities		**(11,797,393)**	11,226,907
CASH FLOW FROM FINANCING ACTIVITIES			
Change in bank overdraft		**84,924,444**	89,248,464
Repayment of principal portion of lease liabilities	4	**(3,121,302)**	(3,197,806)
Net cash from financing activities		**81,803,142**	86,050,658
Net (decrease) increase in cash and cash equivalents		**(125,679)**	126,401
Cash and cash equivalents at the beginning of the year		**835,670**	709,269
Expected credit loss provision		**(299)**	(611)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**709,692**	835,059

Supplemental non-cash information

Realised (unrealised) (Gain) loss on investments at FVTOCI	**(615,023)**	(4,576,661)
Actuarial remeasurement of employee termination benefits	**8,769**	(346,573)

The accompanying notes 1 to 28 form part of these financial statements

1. GENERAL

The Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital (the "Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company on Jumada Awal 19, 1436H (corresponding to March 10, 2015). The Company operates under Commercial Registration No. 1010235995 issued in Riyadh on Rajab 8, 1428 H (corresponding to July 22, 2007). The Company also operates its activities under Authorization License number (7061-15) dated Jumada Awal 16, 1428 H (corresponding to June 2, 2007), subsequently revised with Authorization License number (11156-37) dated Shawal 10, 1432H (corresponding to September 25, 2011G) issued by the Capital Market Authority (CMA).

The Company's registered postal address is as follows:

Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital
P. O. Box 6888
Riyadh 11452
Kingdom of Saudi Arabia

The Company's share capital of SR 250 million as at December 31, 2020 and 2019 consists of 25,000,000 fully paid shares of SR 10 each and is wholly-owned by the Saudi Investment Bank.

During 2019, the Company foreign shareholding reduced to Nil due to the change in foreign shareholding of Saudi Investment Bank (parent company) to Nil. Change in ownership resulted in nil recognition of income tax and deferred tax from the date of change.

The principal activities of the Company are dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, arrangement and advisory and custody services relating to financial securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Historical cost convention

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and employee defined benefit liabilities, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical cost convention (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 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 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to use judgment in applying accounting policies and estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

The key judgments, estimates and assumptions that have a significant impact on the financial statements of the Company are discussed below:

Judgments

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

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily vailable. The renewal periods for leases of buildings, equipments and cars with longer non-cancellable periods (i.e., 1 to 5 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

(i) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of profit or loss and other comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between the cost and fair value.
(b) For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

(ii) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five periods and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Company.

(iii) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgments is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 24 for further discussion.

(iv) Impairment of goodwill

For impairment testing, goodwill acquired through business combination is allocated to the Company which is considered as a cash generating unit (CGU), as Company has one operating and reportable segment. Estimating the value in use requires the Company to make an estimate of the expected future cash flows and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Assumption for Employees' benefits provision

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on publicly available mortality tables for the specific country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

(vi) Useful lives and depreciation of Property and equipment

The useful lives, residual values and methods of depreciation of property and equipment is reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Company takes guidance from recent acquisitions, as well as market and industry trends.

Foreign currency translation

a) Reporting currency

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

b) Transaction 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.

Financial instruments

Financial assets and financial liabilities are recognized when the 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
All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets
Debt instruments 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Debt instruments that meet the following conditions are subsequently measured at Fair Value Through Other Comprehensive Income ("FVTOCI"):

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

By default, all other financial assets are subsequently measured at Fair Value Through Profit or Loss ("FVTPL").

Despite the above, the Company may make the following irrevocable election / designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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 effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate 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 effective interest rate 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 effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Effective interest method (continued)

Interest income is recognized in profit or loss.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Equity instruments designated as at FVTOCI

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

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, accrued fees and commission income and other receivables. No impairment loss is recognized for investments in equity instruments. 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 other 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Significant increase in credit risk (continued)
Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset 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 fulfill 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.

For loan commitments and financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

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.

The following guidance shall be used for considering an instrument/exposure to have defaulted or credit impaired:

- In the case of margin loan facilities – any outstanding that has not been settled within 60 days after the expiry of an agreement (in the case of overdraft/revolving facility) or 30 days after the expiry of a deal (in the case of Murabaha deals).
- In the case of financial instruments such as placements or sukuks – any non-settlement of the amount due within 30 days from the due date will be considered as default.
- Bankruptcy protection has been filed for the obligor in respect of the obligor’s credit obligation to the Company.
- The Company consents to a distressed restructuring of the credit obligation where this is to result in a diminished financial obligation caused by material forgiveness, or postponement of principal, interest or fees.
- In case of financial instruments, any of the “Events of default” being met or triggered.

Given that the rebuttable presumption as per IFRS 9 for default is considered as no later than 90 days, the above five clauses on default are considered reasonable.

Any of the above condition being met shall be considered as a default / credit impaired and hence the financial instrument shall be moved to stage 3 of the General approach and hence lifetime ECL shall be recorded.

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. 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.

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; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Measurement and recognition of expected credit losses (continued)
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, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial liabilities (continued)

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortized cost

The Financial liabilities that are not

1) Contingent consideration of an acquirer in a business combination,
2) Held-for-trading, or
3) Designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less from the date of acquisition, which are subject to insignificant risk of changes in values.

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 has a legal enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the assets and settle the liability simultaneously.

Margin loans and murabaha financing

Margin loans and murabaha financing are recognized at an amortised cost less any expected credit losses as it satisfies hold-to-collect business model test and solely through payment of principal and interest (SPPI) test.

All margin loans and murabaha financing at December 31, 2020 are maturing within one year.

Accrued management fees and commission income

Accrued management fees and commission income are recognized at an amortised cost less any expected credit losses (ECL). ECL is calculated using the simplified impairment approach.

Goodwill

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are carried at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the statement of profit or loss, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Leasehold improvements	Over the lease period or 5 years, whichever is lesser
Computers hardware	4
Vehicles	4
Furniture and office equipment	4

Capital work in progress is transferred to the appropriate property and equipment category upon completion and depreciated from the point at which it is ready to use.

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss, as and when incurred. Major renewals and improvements, if any, are recognized in the carrying amount of the property and equipment.

The residual values, useful lives and methods of depreciation on property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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, if any.

The Company applies the following useful life for amortization to its intangible assets:

Computer software	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, and are recognized in profit or loss when the asset is derecognized.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Impairment of non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (continued)

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.

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.

Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Employee termination benefits
Employee termination benefit liabilities 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.

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.

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.

Revenue recognition

Brokerage fees are recognized on accrual basis upon delivery of services to customers and is stated net of discounts, if any, based on agreed applicable service contracts and other expenses.

Commission income from margin loans and murabaha financing are recognized on accrual basis based on the effective rate of return during the contract period, reduced by relevant commission charged by the Bank on Funds provided to finance the margin loans and murabaha financing.

Asset management fees are recognized on the accrual basis as services are provided.

Management advisory and other service fees are recognized over the service period based on the applicable contract. Income on time deposits with the Bank is recognized on accrual basis.

Investment banking fees are recognized upon delivery of services to customers.

Dividends income from investments is recognized when the Company's right to receive the dividends is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share

The Company presents basic, and diluted (if any), earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

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.

Dividends

Dividends are recorded in the financial statements in the period in which they are declared.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements. Such assets primarily comprise of clients' cash accounts and assets under management.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
• fixed payments (including in-substance fixed payments), less any lease incentives receivable
• variable lease payment that are based on an index or a rate
• amounts expected to be payable by the lessee under residual value guarantees
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
• payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee 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. The Company uses incremental borrowing rate as a discount factor to compute the present value of lease liability.

Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability
• any lease payments made at or before the commencement date less any lease incentives received
• any initial direct costs, and
• restoration costs.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION

(i) 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.

(ii) New and amended IFRSs in issue but not yet effective and not early adopted

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.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION (Continued)

(ii) New and amended IFRSs in issue but not yet effective and not early adopted (Continued)

Reference to the conceptual framework – Amendments to IFRS 3 Business Combinations (continued)
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.

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.

(All Amounts in Saudi Riyals unless otherwise stated)

4. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has lease contracts for office spaces and office equipment. Leases of office spaces have lease terms of 2 years while office equipment have lease terms of 5 years.

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

	Building 2020 SR	*Photocopier 2020 SR*	*Total 2020 SR*
Cost:			
At the beginning and end of the year	**6,058,340**	**185,222**	**6,243,562**
Accumulated depreciation:			
As at January 1, 2020	**3,029,172**	**37,035**	**3,066,207**
Charge for the year	**3,029,168**	**37,044**	**3,066,212**
As at December 31, 2020	**6,058,340**	**74,079**	**6,132,419**
Net book amounts:			
At December 31, 2020	**-**	**111,143**	**111,143**
At December 31, 2019	3,029,168	148,187	3,177,355

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

	2020	*2019*
At the beginning of the year	**3,235,092**	6,243,562
Accretion of interest	**23,801**	189,336
Payments	**(3,121,302)**	(3,197,806)
At the end of the year	**137,591**	3,235,092
Current	**57,923**	3,126,681
Non-current	**79,668**	108,411

The maturity analysis of lease liabilities are disclosed in Note 24.

The following are the amounts recognised in the statement of profit or loss:

	2020	*2019*
Amortization of right-of-use assets	**3,066,212**	3,066,207
Interest expense on lease liabilities	**23,801**	189,336
Total amount recognised in profit or loss	**3,090,013**	3,255,543

(All Amounts in Saudi Riyals unless otherwise stated)

5. PROPERTY AND EQUIPMENT, NET

December 31, 2020	*Computers hardware SR*	*Leasehold improvements SR*	*Vehicles SR*	*Furniture and office equipment SR*	*Work in progress SR*	*Total SR*
Cost:						
At the beginning of the year	**12,700,728**	**7,882,285**	**40,625**	**5,339,087**	**-**	**25,962,725**
Additions	**680,798**	**208,092**	**-**	**259,090**	**10,613**	**1,158,593**
Disposals	**(689,388)**	**-**	**-**	**(44,789)**	**-**	**(734,177)**
At the end of the year	**12,692,138**	**8,090,377**	**40,625**	**5,553,389**	**10,613**	**26,387,141**
Accumulated depreciation:						
At the beginning of the year	**12,404,938**	**7,571,368**	**40,624**	**5,207,825**	**-**	**25,224,755**
Charge for the year	**253,633**	**297,217**	**-**	**86,237**	**-**	**637,087**
Disposals	**(689,341)**	**-**	**-**	**(44,763)**	**-**	**(734,103)**
At the end of the year	**11,969,230**	**7,868,585**	**40,624**	**5,249,299**	**-**	**25,127,738**
Net book value:						
At December 31, 2020	**722,908**	**221,792**	**1**	**304,089**	**10,613**	**1,259,403**

December 31, 2019	*Computers hardware SR*	*Leasehold improvements SR*	*Vehicles SR*	*Furniture and office equipment SR*	*Total SR*
Cost:					
At the beginning of the year	12,601,886	7,856,495	40,625	5,299,899	25,798,905
Additions	98,842	25,790	-	39,188	163,820
At the end of the year	12,700,728	7,882,285	40,625	5,339,087	25,962,725
Accumulated depreciation:					
At the beginning of the year	11,984,240	7,026,277	40,624	5,069,584	24,120,725
Charge for the year	420,698	545,091	-	138,241	1,104,030
At the end of the year	12,404,938	7,571,368	40,624	5,207,825	25,224,755
Net book value:					
At December 31, 2019	295,790	310,917	1	131,262	737,970

(All Amounts in Saudi Riyals unless otherwise stated)

6. INTANGIBLE ASSET, NET

	Computer Software	*Work in progress*	*Total*
Cost:			
January 1, 2020	**11,128,052**	**-**	**11,128,052**
Additions during the year	**1,018,608**	**640,385**	**1,658,993**
December 31, 2020	**12,146,660**	**640,385**	**12,787,045**
Accumulated amortization:			
January 1, 2020	**9,264,018**	**-**	**9,264,018**
Charge for the year	**839,552**	**-**	**839,552**
December 31, 2020	**10,103,570**	**-**	**10,103,570**
Net book value:			
December 31, 2020	**2,043,090**	**640,385**	**2,683,475**
Cost:			
January 1, 2019	10,512,682	-	10,512,682
Additions during the year	615,370	-	615,370
December 31, 2019	11,128,052	-	11,128,052
Accumulated amortization:			
January 1, 2019	8,477,244	-	8,477,244
Charge for the year	786,774	-	786,774
December 31, 2019	9,264,018	-	9,264,018
Net book value:			
December 31, 2019	1,864,034	-	1,864,034

7. INVESTMENTS

	December 31, 2020	*December 31, 2019*
Financial assets at fair value through profit or loss (FVTPL)	**34,970,014**	18,804,533
Financial assets at fair value through other comprehensive income (FVTOCI)	-	6,628,798
	34,970,014	25,433,331

Financial assets at fair value through profit or loss and comprehensive income comprises of the following:

	December 31, 2020	
	FVTPL SR	***FVTOCI SR***
Mutual funds	**34,970,014**	-
Total	**34,970,014**	-

	December 31, 2019	
	FVTPL SR	*FVTOCI SR*
Mutual funds	18,804,533	-
Quoted equity securities	-	6,628,798
Total	18,804,533	6,628,798

(All Amounts in Saudi Riyals unless otherwise stated)

7. INVESTMENTS (Continued)

Set out below are the movements in the financial assets at fair value through profit or loss:

	December 31, 2020 SR	*December 31, 2019 SR*
Cost	**33,804,533**	17,459,226
Unrealized gain	**1,165,481**	1,345,307
At the end of the year	**34,970,014**	18,804,533

Set out below are the movements in the financial assets at fair value through other comprehensive income:

	December 31, 2020 SR	*December 31, 2019 SR*
Cost	**-**	6.017,632
Unrealized gain	**-**	611,166
At the end of the year	**-**	6,628,798

8. GOODWILL

During 2011, the Company acquired net assets of SAIB BNP Paribas Asset Management Company at the acquisition price of SR 104,714,828. Net assets of SAIB BNP Paribas Asset Management Company at the date of acquisition were SR 92,835,110. The acquisition resulted in recognition of goodwill amounted to SR 11,879,718 in the statement of financial position. The Company has carried out impairment assessment based on fair value less cost to sell at the end of the year and concluded that no impairment required.

For impairment testing goodwill acquired through business combination with indefinite useful lives is allocated to the Asset management CGU, which is also operating and reportable segments.

9. CASH AND CASH EQUIVALENTS

	December 31, 2020	*December 31, 2019*
Cash on hand	**63,471**	10,000
Cash at bank *(Note 21)*	**646,520**	825,670
	709,991	835,670
Less: Allowance for expected credit loss *(Note 18)*	**(299)**	(611)
	709,692	835,059

10. MARGIN LOANS AND MURABAHA FINANCING

	December 31, 2020	*December 31, 2019*
Margin loans	**526,987,634**	320,427,496
Murabaha financing	**109,334,747**	166,367,237
	636,322,381	486,794,733

Loans are collateralized by approved coverage of 200% of market value of the customer respective portfolio. The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its margin loans and murabaha financing. The collateral includes shares. The collateral is managed against relevant exposures at their net realizable values. The estimated fair value of collateral held by the Company as security for margin loans and murabaha financing as at December 31, 2020 is SR 3,565 million (December 31, 2019: SR 2,625 million). All loans mature within twelve months from the inception date. As the margin loans and murabaha financing are fully collateralized, hence no allowance for expected credit losses is made in these financial statements.

(All Amounts in Saudi Riyals unless otherwise stated)

11. ACCRUED FEE AND COMMISSION INCOME

	December 31, 2020	*December 31, 2019*
Accrued asset management fee	**16,447,438**	25,621,445
Accrued commission income on margin loans and murabaha financing	**4,730,436**	4,025,876
Accrued brokerage fee	**4,593,062**	404,685
Accrued investment banking fee	**297,438**	84,000
	26,068,374	30,136,006
Less: Expected Credit loss *(Note 18)*	**(261,683)**	(336,761)
	25,806,691	29,799,245

		Accrued fee and commission income – years past due				
	Not past due	***Less than one year***	***One to two years***	***Two to three years***	***Over three years***	***Total***
December 31, 2020						
ECL rate (%)	**-**	**1.18%**	**-**	**-**	**-**	**-**
Carrying amount	**3,809,287**	**22,259,087**	**-**	**-**	**-**	**26,068,374**
ECL	**-**	**(261,683)**	**-**	**-**	**-**	**(261,683)**
Net amount						**25,806,691**
December 31, 2019						
ECL rate (%)	-	1.37%	-	-	-	-
Carrying amount	5,500,485	24,635,521	-	-	-	30,136,006
ECL	-	(336,761)	-	-	-	(336,761)
Net amount						29,799,245

12. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2020	*December 31, 2019*
Prepaid insurance	**1,309,616**	1,271,004
Staff advance housing allowance	**671,704**	610,405
Receivable from mutual funds	**455,552**	1,740,695
Staff personal loans and receivable	**356,251**	411,717
Prepaid subscriptions	**363,935**	264,298
Prepaid IT services	**176,181**	287,019
Other receivables	**227,902**	391,898
	3,561,141	4,977,036
Less: Expected Credit Loss *(Note 18)*	**(11,169)**	(51,534)
	3,549,972	4,925,502

(All Amounts in Saudi Riyals unless otherwise stated)

12. PREPAID EXPENSES AND OTHER ASSETS (Continued)

		Other receivables – years past due				
	Not past due	*Less than one year*	*One to two years*	*Two to three years*	*Over three years*	*Total*
December 31, 2020						
ECL rate (%)	-	**0.65%**	-	**2.31%**	**2.31%**	-
Carrying amount	**2,077,633**	**1,388,508**	-	**25,000**	**70,000**	**3,561,141**
ECL	-	**(8,977)**	-	**(577)**	**(1,615)**	**(11,169)**
Net amount						**3,549,972**
December 31, 2019						
ECL rate (%)	0.00%	1.39%	3.41%	3.41%	3.41%	-
Carrying amount	2,135,299	2,250,898	495,839	25,000	70,000	4,977,036
ECL	-	(31,368)	(16,924)	(853)	(2,389)	(51,534)
Net amount						4,925,502

13. SHARE CAPITAL

The share capital is divided into 25,000,000 shares of SR 10 each (December 31, 2019: 25,000,000 shares of SR 10 each).

14. EMPLOYEES' TERMINATION BENEFITS

Movements in the employees' termination benefits recognized in the statement of financial position and its components are as follows:

	December 31, 2020	*December 31, 2019*
At the beginning of the year	**15,891,112**	14,219,301
Current service cost	**2,010,145**	1,928,541
Interest cost	**524,196**	683,927
Paid during the year	**(123,171)**	(594,084)
Actuarial gain	**(8,769)**	(346,573)
At the end of the year	**18,293,513**	15,891,112

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

	December 31, 2020	*December 31, 2019*
Discount rate	**1.80%**	3.20%
Future salary increases	**1.80%**	3.20%
Mortality rates	**SA16 - 75%**	SA16 - 75%
Rate of employee turnover	**High**	Moderate

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

(All Amounts in Saudi Riyals unless otherwise stated)

14. EMPLOYEES' TERMINATION BENEFITS (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.

	December 31, 2020	*December 31, 2019*
Increase in discount rate of 0.5%	**17,620,119**	15,092,310
Decrease in discount rate of 0.5%	**19,012,859**	16,755,788
Increase in rate of salary increase of 0.5%	**19,016,988**	16,758,199
Decrease in rate of salary increase of 0.5%	**17,609,676**	15,082,466

15. EMPLOYEES' LONG-TERM BENEFITS

Employees' service security plan	***December 31, 2020***	*December 31, 2019*
At the beginning of the year	**50,985**	6,367,020
Charge/(reversal) for the year	**5,563,153**	(345,317)
Paid during the year	**(61,448)**	(5,970,718)
At the end of the year	**5,552,690**	50,985

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2020	*December 31, 2019*
Rebate payable related to mutual funds	**10,729,281**	13,141,542
Accrued employees related expenses	**9,230,810**	6,949,400
VAT Payable, net	**2,469,760**	496,331
Accrued directors and committees' members fee	**1,500,000**	1,400,000
Accrued IT services	**871,036**	287,306
Accrued utility charges	**690,936**	374,185
GOSI Payable	**401,613**	381,131
Accrued professional fees	**291,114**	913,250
Accrued subscription charges	**139,128**	224,674
Others	**3,340,273**	1,463,040
	29,663,951	25,630,859

(All Amounts in Saudi Riyals unless otherwise stated)

17. PROVISION FOR ZAKAT AND INCOME TAX

The significant components of the zakat base of the Saudi shareholders are principally comprised of the following:

Zakat Base	***Year ended December 31,***	
	2020	*2019*
Shareholders equity - beginning of the year	**387,487,279**	362,359,394
Net income for the year, as adjusted	**83,912,761**	33,615,172
Provisions	**16,178,684**	14,510,552
Property and equipment, net	**(15,933,739)**	(15,802,760)
Investments	**-**	(6,628,798)
Total zakat base	**471,644,985**	388,053,560
Saudi shareholding percentage	**100%**	100%
Zakat base for Saudi shareholders base on shareholding	**387,732,224**	378,854,147
Adjusted net income for Saudi shareholders	**83,912,761**	33,276,718
Estimated zakat for the year	**12,119,712**	9,739,867

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

The movement in provision for zakat and income tax during the year ended December 31, 2020 is summarized as follows:

	Zakat	**Income tax**	**Total**
Balance at the beginning of the year	**19,533,606**	**412,177**	**19,945,783**
Additions during the year	**12,500,000**	**-**	**12,500,000**
Prior years provision (reversal of excess provision)	**3,050,450**	**(305,467)**	**2,744,983**
Payments during the year	**(22,584,056)**	**(106,710)**	**(22,690,766)**
Balance at the end of the year	**12,500,000**	**-**	**12,500,000**

The movement in provision for zakat and income tax during the year ended December 31, 2019 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	14,798,042	539,618	15,337,660
Additions during the year	9,730,000	70,000	9,800,000
Prior years provision	3,300,000	-	3,300,000
Payments during the year	(8,294,436)	(197,441)	(8,491,877)
Balance at the end of the year	19,533,606	412,177	19,945,783

Status of assessments

During 2019, the Company received final assessments from General Authority of zakat and tax (GAZT) for additional zakat & tax amounting to SR 14.8 million related to the years 2011 to 2017, mainly due to disallowance of long-term investments from the zakat base. The Company, in consultation with its zakat & tax advisors, has initially filed an appeal with the GAZT which was later rejected. The Company has filed another appeal with General Secretariat of Tax Committees (GSTC) and also submitted a settlement proposal for finalization of assessments with Alternative Dispute Resolution Committee (ADRC). The Company made additional provision of SAR 3.3 million for the settlement with ADRC in the financial statements for the year ended 31 December 2019.

Subsequent to year ended 31 December 2019, the Company reach an agreement with ADRC for amount of SR 12.3 million which was paid during the year. Further, during the year, the Company received assessment from GAZT for the year 2018 with the additional amount of SR 0.36 million, the Company recorded the amount as expense during the year and settled the amount.

The Company has submitted its zakat return for year ended 31 December 2019 to GAZT, however no assessment has been raised yet.

(All Amounts in Saudi Riyals unless otherwise stated)

18. EXPECTED CREDIT LOSS PROVISION

The following table shows the movement in allowance for expected credit losses.

	Lifetime ECL - not credit impaired			
	Cash at bank	*Accrued fee and commission income*	*Other assets*	*Total SR*
Balance at January 1, 2020	**611**	**336,761**	**51,534**	**388,906**
Reversal during the year	**(313)**	**(75,078)**	**(40,364)**	**(115,755)**
Balance at December 31, 2020	**298**	**261,683**	**11,170**	**273,151**

19. OTHER GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended December 31,	
	2020	*2019*
IT services	**5,671,351**	4,768,856
Provision for operational losses	**2,128,461**	7,463
Board of directors and committees' members fee (note 21)	**1,500,000**	1,450,031
Janitorial and cleaning services	**1,466,244**	1,403,360
Utility charges	**1,055,820**	915,584
Repairs and maintenance expenses	**501,751**	271,581
Insurance cost	**388,207**	323,505
Stationery and supplies	**204,537**	89,060
Advertising and marketing	**111,288**	195,992
Travel and conveyance	**54,333**	236,957
Penalties and fines	**40,000**	-
Others	**1,274,212**	737,414
	14,396,204	10,399,803

20. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2020 and 2019 amounting to 25 million shares.

21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, funds managed by the Company and key management personnel of the Company.

In the ordinary course of its activities, the Company transacts business with The Saudi Investment Bank (The sole shareholder of the Company).The Company has an overdraft facility from The Saudi Investment Bank to finance the margin loans and murabaha financing granted to its customers with a maximum limit of SR 1,200 million (December 31, 2019: SR 1,200 million). At December 31, 2020, the utilized amount of such facility is SR 198 million (December 31, 2019: SR 113 million). The Bank charged the Company commission expense on the utilized balance for the year ended December 31, 2020 amounting to SR 3 million (December 31, 2019: SR 0.5 million). The Company also entered in a Corporate Finance transaction with The Saudi Investment Bank amounting to SR Nil (December 31, 2019: SR 0.43 million).

Margin loans outstanding with Board of directors and key management personnel amounts to SR 2,155,292 (December 31, 2019: SR 2,232,390). Related Commission income for the year amounts to SR 103,155 (December 31, 2019: SR 62,041).

The Company also maintains its operating bank account with The Saudi Investment Bank (see Note 9).

The Company has several agreements with the Bank as follows:

i. Rent and premises related services agreement, under which the Bank provides to the Company the head office location and 4 branch locations (2019: 5 branch locations), rental of existing property and equipment, location and equipment maintenance, utilities, communication and parking lots for an annual charge of SR 3,100,333 (December 31, 2019: SR 3,155,866).

ii. Mailing service agreement, under which the Bank provide all mailing services to the Company through the Bank’s Mail Department for an annual charge of SR 39,000 (December 31, 2019: SR 39,000).

iii. Archive service agreement, under which the Bank keep the Company’s files through the Bank’s Administration Department for an annual charge of SR 80,000 (December 31, 2019: SR 80,000).

iv. Information Technology (IT) agreement under which the Bank provide all IT services including services relating to e-mail, internet and related maintenance services for an annual charge of SR 2,174,952 (December 31, 2019: SR 980,276).

Mailing, Archive and Information Technology (IT) service agreements charges are presented as “Business service charges” in the statement of profit or loss and other comprehensive income.

Salaries and employee related expenses include an amount of SR 10,109,018 for the year ended December 31, 2020 for key management personnel (December 31, 2019 SR 9,456,245).

Board of directors and committees’ members fee for the year is SR 1,500,000 (December 31, 2019 SR 1,450,031).

Prices and terms of these transactions are approved by the management of the Company and are considered to be within the normal course of the Company's business.

22. COMMITMENTS AND CONTINGENCIES

As at December 31, 2020, the Company has commitments to extend margin loans to customers amounting to SR 742 million (December 31, 2019: SR 591 million).

23. FIDUCIARY ASSETS

Clients' money accounts

At December 31, 2020, the Company held clients' cash accounts with the Bank, amounting to SR 2.2 billion (December 31, 2019: SR 1.7 billion), to be used for investments upon client discretion. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Assets under management

The market value of assets under management at December 31, 2020 amounted to approximately SR 20.80 billion (December 31, 2019: SR 18.80 billion).

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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 controls. The process of risk management is critical to the Company's continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company risk management framework. These risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company is exposed to various risks such as market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk and credit risk arising from the financial instruments it holds.

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 three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include short term borrowings and equity investments.

The Company was exposed to market risk as described below, during the year. There were no changes in these circumstances from the previous year.

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's bank overdraft with floating interest rates. As the Company's borrowing is short term in nature, the Company is not significantly exposed to interest rate risk.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(All Amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Interest rate risk (continued)

Interest rate sensitivity analysis (continued)
If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the year would have decreased or increased by SR 987,596 (December 31, 2019: SR 562,973). The Company's exposure to interest rates has increased during the year as a result of an increase in interest-bearing borrowings.

Equity price risk
Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to market risk with respect to its investments in mutual funds. The Company limits price risks by diversification of its investments and monitoring continuously the developments in the funds. In addition, the key factors that affect the funds market movements are monitored including analysis of the operational and financial performance of investees.

Management's best estimate of the effect on the statement of comprehensive income for a year due to a reasonably possible change in funds, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

Market index	*Change in equity index*	*Effect on the statement of comprehensive income the years ended*	
		31 December 2020	*31 December 2019*
	%	***SR***	*SR*
Mutual funds	+5	**1,748,501**	1,271,667
	-5	**(1,748,501)**	(1,271,667)

Credit risk management
Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at December 31, 2020, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The Company performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Note 18 details the Company's maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Company holds shares portfolio as collateral for Margin loans and Murabaha financing.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Margin loan and Murabaha receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of these accounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

(All Amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2020:

31 December 2020	*Less than 3 months SR*	*3 to 12 months SR*	*1 - 5 years SR*	*Greater than 5 years SR*	*No fixed maturity SR*	*Total SR*
Employees' termination benefits	-	-	-	**18,293,513**	-	**18,293,513**
Employees' long-term benefits	-	**5,552,690**	-	-	-	**5,552,690**
Bank overdraft	-	**197,519,110**	-	-	-	**197,519,110**
Accrued expenses and other liabilities	**19,194,671**	**10,469,281**	-	-	-	**29,663,952**
Zakat payable	-	**12,500,000**	-	-	-	**12,500,000**
Lease liability	-	**57,923**	**79,668**	-	-	**137,591**
	19,194,671	**226,041,081**	**137,591**	**18,293,513**	-	**263,666,856**

31 December 2019	*Less than 3 months SR*	*3 to 12 months SR*	*1 - 5 years SR*	*Greater than 5 years SR*	*No fixed maturity SR*	*Total SR*
Employees' termination benefits	-	-	-	15,891,112	-	15,891,112
Employees' long-term benefits	-	50,985	-	-	-	50,985
Bank overdraft	-	112,594,666	-	-	-	112,594,666
Accrued expenses and other liabilities	12,519,320	13,111,539	-	-	-	25,630,859
Zakat payable	-	19,533,606	-	-	-	19,533,606
Income tax payable	-	412,177	-	-	-	412,177
Lease liability	-	3,126,681	108,411	-	-	3,235,092
	12,519,320	148,829,655	108,411	15,891,112	-	177,348,497

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt and equity comprising share capital, retained earnings and Bank overdraft.

(All Amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial assets through other comprehensive Income		
Investments *(Note 7)*	**-**	6,628,798
Financial assets through profit or loss		
Investment *(Note 7)*	**34,970,014**	18,804,533
Financial assets at amortised cost		
Cash at Bank *(Note 9)*	**646,520**	825,670
Margin Loans and murabaha financing *(Note 10)*	**636,322,381**	486,794,733
Accrued fee and commission income *(Note 11)*	**26,068,374**	30,136,006
Other assets *(Note 12)*	**683,454**	3,154,715
Financial liabilites at amortised cost		
Bank overdraft (Note 21)	**197,519,110**	112,594,666

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All Amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (Continued)

		Carrying value									*Fair value*			
		Financial assets					*Financial liabilities*				*Level*			
	Note	*FVTPL – designated*	*FVTPL – mandatory measured*	*FVTOCI*	*FVTOCI – designated*	*Amortised cost*	*FVTPL – designated*	*FVTPL – mandatory measured*	*Amortised cost*	*`Total*	*1*	*2*	*3*	*Total*
Dec 31, 2020														
Cash at bank	9	-	-	-	-	**646,520**	-	-	-	**646,520**	**646,520**	**-**	**-**	**646,520**
Investments	7	-	**34,970,014**	-	-	-	-	-	-	**34,970,014**	**-**	**34,970,014**	**-**	**34,970,014**
Bank overdraft	21	-	-	-	-	-	-	-	**197,519,110**	**197,519,110**	**197,519,110**	**-**	**-**	**197,519,110**
Dec 31, 2019														
Cash at bank	9	-	-	-	-	825,670	-	-	-	825,670	825,670	-	-	825,670
Investments	7	-	18,804,533	-	6,628,798	-	-	-	-	25,433,331	13,928,282	11,505,049	-	25,433,331
Bank overdraft	21	-	-	-	-	-	-	-	112,594,666	112,594,666	112,594,666	-	-	112,594,666

There have been no transfers between level 1, level 2 and level 3 during the reporting periods.

(All Amounts in Saudi Riyals unless otherwise stated)

25. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

Capital Market Authority (CMA) has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	December 31, 2020	*December 31, 2019*
Capital base:		
Tier 1 Capital	**439,062**	373,744
Tier 2 Capital	**-**	611
Total Capital Base	**439,062**	374,355
Minimum capital requirement:		
Market Risk	**3,874**	1,619
Credit Risk	**152,267**	126,459
Operational Risk	**21,610**	17,995
Total Minimum Capital Required	**177,751**	146,073
Capital adequacy ratio:		
Capital Ratio (time)	**2.47**	2.56
Surplus in capital	**261,312**	228,282

a) Capital Base of the Company comprises of:

- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
- Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.

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

d) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.

e) The above calculations are based on the respective Capital Adequacy Model (CAM) that was provided by CMA as of the corresponding financial statement reporting years.

26. IMPACT OF COVID-19 ON BUSINESS AND OPERATIONS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Kingdom of Saudi Arabia in particular implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

26. IMPACT OF COVID-19 ON BUSINESS AND OPERATIONS (Continued)

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 authorization of these separate financial statements. These developments could impact our future financial results, cash flows and financial condition.

27. EVENTS SUBSEQUENT TO THE REPORTING DATE

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

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on March 14, 2021.