GIB Capital Company

(A SAUDI CLOSED JOINT STOCK COMPANY)

(A SINGLE SHAREHOLDER COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

GIB Capital Company
(A SAUDI CLOSED JOINT STOCK COMPANY)
(A SINGLE SHAREHOLDER COMPANY)

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31 December 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GIB CAPITAL COMPANY (SINGLE SHAREHOLDER COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of GIB Capital Company (Single Shareholder Company), (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in 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.

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.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GIB CAPITAL COMPANY (A SINGLE SHAREHOLDER COMPANY) (A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF GIB CAPITAL COMPANY (A SINGLE SHAREHOLDER COMPANY)
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

24 Rajab1442H
8 March 2021

Alkhobar

GIB Capital Company
(A SAUDI CLOSED JOINT STOCK COMPANY)
(A SINGLE SHAREHOLDER COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Note	***2020*** ***SR'000***	*2019* *SR'000*
OPERATING INCOME			
Advisory fee	7	**35,718**	43,473
Asset management services	7	**24,657**	20,178
Brokerage income	7	**3,303**	2,124
TOTAL OPERATING INCOME		**63,678**	65,775
OPERATING EXPENSES			
Salaries and other employee related expenses	8	**(52,907)**	(52,576)
General and administrative expenses	9	**(7,575)**	(8,007)
Depreciation of right-of-use assets	13	**(1,667)**	(1,637)
Depreciation of property and equipment	11	**(1,629)**	(1,560)
Allowance for expected credit loss	16	**(324)**	(666)
Rent and premises related expenses		**(391)**	(371)
TOTAL OPERATING EXPENSES		**(64,493)**	(64,817)
OPERATING (LOSS)/PROFIT		**(815)**	958
Interest income on short-term deposits	24	**2,964**	5,132
Other income/(expenses)		**622**	(260)
NET PROFIT FOR THE YEAR		**2,771**	5,830
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of investment held at FVOCI	12	**(166)**	2,162
Actuarial gains/(losses) on employees' terminal benefit liabilities	22	**482**	(420)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,087**	7,572
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to the shareholder of the Company	20	**0.1**	0.3

The attached notes 1 to 33 form part of these financial statements.

GIB Capital Company
(A SAUDI CLOSED JOINT STOCK COMPANY)
(A SINGLE SHAREHOLDER COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	*2020* *SR'000*	*2019* *SR'000*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	11	**3,227**	3,750
Investment held at FVTOCI	12	**23,285**	23,451
Right-of-use-assets	13	**3,824**	5,491
TOTAL NON-CURRENT ASSETS		**30,336**	32,692
CURRENT ASSETS			
Investment held at FVTPL	15	**-**	185
Accounts receivable	16	**4,400**	13,386
Receivable against margin lending	17	**3,538**	-
Advances, prepayments and other current assets	18	**9,192**	9,132
Short-term deposits	14, 24	**170,000**	168,000
Bank balances	24	**9,288**	9,124
TOTAL CURRENT ASSETS		**196,418**	199,827
TOTAL ASSETS		**226,754**	232,519
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	19	**200,000**	200,000
Statutory reserve		**3,768**	3,768
Fair value reserve	12	**1,996**	2,162
Accumulated losses		**(15,276)**	(18,529)
TOTAL SHAREHOLDER'S EQUITY		**190,488**	187,401
NON-CURRENT LIABILITIES			
Lease liabilities	21	**2,187**	5,236
Employees' terminal benefits	22	**7,871**	9,568
TOTAL NON-CURRENT LIABILITIES		**10,058**	14,804
CURRENT LIABILITIES			
Current portion of lease liabilities	21	**1,324**	1,669
Accrued expenses and other current liabilities	23	**24,884**	28,645
TOTAL CURRENT LIABILITIES		**26,208**	30,314
TOTAL LIABILITIES		**36,266**	45,118
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**226,754**	232,519

Abdullah Mohammed Al Zamil
Chairman of the Board

Osamah Mohammed Shaker
Chief Executive Officer And Board Member

The attached notes 1 to 33 form part of these financial statements.

GIB Capital Company

(A SAUDI CLOSED JOINT STOCK COMPANY)

(A SINGLE SHAREHOLDER COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 December 2020

	Share capital SR'000	*Statutory reserve SR'000*	*Fair value reserve SR'000*	*Accumulated losses SR'000*	*Total SR'000*
As at 1 January 2019	200,000	3,768	-	(23,939)	179,829
Net profit for the period	-	-	-	5,830	5,830
Other comprehensive income/(loss) for the year	-	-	2,162	(420)	1,742
Total comprehensive income for the year	-	-	2,162	5,410	7,572
Balance as at 31 December 2019	200,000	3,768	2,162	(18,529)	187,401
As at 1 January 2020	200,000	3,768	2,162	(18,529)	187,401
Net profit for the year	-	-	-	2,771	2,771
Other comprehensive (loss)/income for year	-	-	(166)	482	316
Total comprehensive income for the year	-	-	(166)	3,253	3,087
Balance as at 31 December 2020	**200,000**	**3,768**	**1,996**	**(15,276)**	**190,488**

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 SR'000	2019 SR'000
Cash flows from operating activities			
Profit for the year		**2,771**	5,830
Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	11	**1,629**	1,560
Depreciation of right-of-use assets	13	**1,667**	1,637
Unrealised gain on investment held at FVTPL	15	**-**	(11)
Gains on sale of investment held at FVTPL	15	**(59)**	-
Employees' terminal benefits	22	**2,102**	1,863
Allowance for expected credit loss	16	**324**	666
Dividend income	12	**(757)**	-
Interest expense, net		**194**	271
Interest income	24	**(2,964)**	(5,132)
		4,907	6,684
Changes in working capital:			
Accounts receivable		**8,662**	(5,237)
Receivable against margin lending		**(3,538)**	-
Advances, prepayments and other current assets		**(2,017)**	881
Accrued expenses and other current liabilities		**(3,955)**	870
Cash flows from operating activities		**4,059**	3,198
Employees terminal benefits paid		**(3,317)**	(23)
Net cash flows from operating activities		**742**	3,175
Cash flows from investing activities			
Purchase of property and equipment	11	**(1,106)**	(88)
Write-off of work in progress	11	**-**	18
Short term deposits with original maturity of more than three months	14	**(2,000)**	13,500
Addition to right-of-use assets	13	**-**	(7,128)
Interest income received	24	**4,921**	5,099
Dividend income received	12	**757**	-
Purchase of investment held at FVTOCI	12	**-**	(21,289)
Proceeds from sale of investment held at FVTPL	15	**244**	-
Payment of lease liabilities		**(3,394)**	6,905
Net cash flows (used in) investing activities		**(578)**	(2,983)
Net increase in bank balances		**164**	192
Bank balances at the beginning of the year		**9,124**	8,932
BANK BALANCES AT THE END OF THE YEAR		**9,288**	9,124

The attached notes 1 to 33 form part of these financial statements.

1 ORGANISATION AND ACTIVITIES

GIB Capital Company (the "Company") was established in 2008 under the name of GIB Financial Services LLC, a limited liability company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010244294 dated 6 Safar 1429H (corresponding to 14 February 2008). The Company's name was changed to GIB Capital Limited liability company after obtaining the approval of the Capital Market Authority on 27 Rabi Awal 1432H (corresponding to 2 March 2011). During 2017, the shareholders resolved to change the legal status of the Company from a limited liability company to a closed joint stock company (a single shareholder company) which was approved by the Ministry of Commerce Resolution No. 343 dated 29 Shawwal 1438H (corresponding to 23 July 2017) and the date of the amendment of the commercial registration of the Company was 24 Muhurram 1439H (corresponding to 14 August 2017).

During the year, The Company had terminated Commercial Registration No. 2051046496 a branch of the company located Dhahran, Kingdom of Saudi Arabia.

The principal activities of the Company are dealing as a principal and agent, underwriting, managing, arranging, advising and acting as custodian of financial securities pursuant to the Capital Market Authority (CMA) License No. 07078-37 dated 08 Rajab 1428H (corresponding to 22 July 2007), in addition to the approval of the Capital Market Authority (CMA) to amend the list of the Company's approved activities under resolution No. 12-02-2011 dated 6 Jumada Alawal 1432H (corresponding to 10 April 2011).

During 2017, the Company obtained further approval from the CMA to amend the list of its licensed activities by adding dealing as an agent activity on 13 Rabi Thani 1439H (corresponding to 31 December 2017).

The registered office of the Company is located at the following address:

Granada Business and Residential Park
Eastern Ring Road
P.O. Box 89589
Riyadh 11692
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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").

2.2 Presentation and functional currency

The financial statements are presented in Saudi Arabian Riyals (SR) which is also the functional currency of the Company. Except where indicated, the financial information presented in SR is rounded to the nearest thousand.

2.3 Basis of measurement

These financial statements have been prepared on going concern basis under historical cost basis, except otherwise as stated in the accounting policies below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied in the preparation of these financial statements:

3.1 Current versus non-current classification

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

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;
(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realise the asset within twelve months after the reporting date; or
(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

The Company classifies all other assets as non-current.

A liability is current when:

(a) it expects to settle the liability in the entity's normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within twelve months after the reporting date; or
(d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

3.2 Financial instruments

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

Financial assets
Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortized cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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

Subseuqent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments);
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
4. Financial assets at fair value through profit or loss.

Out of the above, only categories 1,3 and 4 are applicable to the Company which are described hereunder:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts receivables, receivables against margin lending and short term deposits.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category may include derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payables, accrued expenses and other current liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

1 Financial liabilities at fair value through profit or loss; and
2 Financial liabilities at amortised cost (loans and borrowings).

Out of the above, only the second category is applicable to the Company which is described hereunder:

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

3.3 Impairment of non-financial assets

The only significant non-financial assets that the Company owns relate to property and equipment.

At each reporting date, the Company assesses, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal, and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

3.4 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts, and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Expenses

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

3.6 Assets held under fiduciary capacity

The Company offers asset management services to its customers, which include management of certain investments on behalf of its customers. Investments held through such arrangements are not treated as assets of the Company and accordingly, are not included in the statement of financial position.

3.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash balances at banks and other short-term highly liquid investments with original maturities of three months or less, which are available to the Company without any restrictions.

3.8 Short term deposits

Short term deposits include placements with banks and other short-term highly liquid investments with original maturities of less than one year from the placement date.

3.9 Leases

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

Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets mainly relate to offices which has a lease period of 5 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below SR 18,750). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.10 Employees' terminal benefits

The Company operates a non-funded employee terminal benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through the statement of profit or loss and other comprehensive income in the period in which they arise.

3.11 Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and any impairment, cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the statement of profit or loss and other comprehensive income when incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Property and equipment (continued)

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the individual items of property and equipment which are as follows:

	Years
Lease improvements	10 years or lease period which is lesser
Office furniture and fixtures	5 years
Office equipment	4 to 5 years

An item of property and equipment, and any significant part initially recognised, is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use of disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

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

3.12 Fair value measurement

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

The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability assuming that the market participant acts in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1-Quoted (unadjusted) market price in an active market for identical assets or liabilities;
- Level 2-Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3-Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re- assessing the categories at the end of each reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Zakat and taxes

Zakat
Zakat computed in accordance with Saudi Arabian Tax and Zakat regulations, is accrued and charged to the statement of profit or loss and other comprehensive income. The Company obtained approval from General Authority of Zakat and Tax ("GAZT") for an exemption to pay zakat.

Withholding tax
The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law.

Value added tax (VAT)
Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the GAZT, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, GAZT is included as part of other receivables or other

3.14 Statutory reserve

As required by Companies' Law and the Company's by-laws, the Company must transfer 10% of its net income for the year to the statutory reserve, after deducting losses brought forward, till it has built up a reserve equal to one half of its capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of its capital. The reserve is not available for distribution.

3.15 Provisions

General
Provisions are recognised 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 recognised 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 recognised as a finance cost.

3.16 Foreign currency translation

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the transaction date. Monetary assets and liabilities at the year end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at the prevailing exchange rates. Foreign exchange gains or losses on the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Revenue recognition

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, the Company recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company recognises revenue when the amount can be reliably measured and it is probable that future economic benefits will flow to the Company. The Company applies the following five-step approach of revenue recognition:

• Step 1: Identify the contract with the customer
• Step 2: Identify the separate performance obligations under the contract
• Step 3: Determine the transaction price
• Step 4: Allocate the transaction price to separate performance obligations
• Step 5: Recognise revenue when (or as) each performance obligation is satisfied

Based on the above five steps, the revenue recognition policy for the key revenue segments is as follows:

Income from advisory service:

Advisory service fees are recognized based on the applicable service contract, usually on a time proportionate basis as the services are performed. Advisory services where the underlying significant act is completed or instances for which no further activities are required to be done are considered fully earned.

Asset management fee income:

Asset Management fee income from mutual funds and discretionary portfolio management are recognised based on a fixed percentage of net assets value under management, subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Company efforts to transfer these services. As asset management fees are not subject to refunds, the management does not expect any reversal of revenue previously recognised.

Brokerage income:

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts, rebates and Tadawul fees. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Income from margin lending:

Margin lending is a financing facility provided to existing customers to trade in the capital market. Interest income are recognised based on customer utilization of the margin lending financing facility at the applicable rates agreed in the contract with the customer. The income is accrued daily on the outstanding balance at the effective commission rate method.

Dividends:

Dividend income is recognised when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

Interest income

Interest income on short term deposits is recognised on an accruals basis.

Gains on the sale of investments

Realised gains on the sale of investments held for trading are recognised on disposal of investments.

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, income and expenses. The use of estimates and assumptions is principally limited to the determination of provisions for impairment, the valuation of financial instruments, the valuation of the Company's defined benefit plans, the useful lives and residual values of property and equipment and going concern. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in the future periods affected.

4.1 Allowance for expected credit loss

The Company uses a provision matrix to calculate ECLs for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., governmental sector, private sector).

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

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

The information about the ECLs on the Company's acounts receivables is disclosed in Note 16.

4.2 Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

4.3 Employee terminal benefits

Management, in coordination with independent qualified actuaries, are required to make assumptions regarding the defined benefit plans. The principal actuarial assumptions for the defined benefit plans are set out in note 22 and include assumptions on the discount rate, increments, resignation rates, and inflation. Changes in the assumptions could affect the reported liability and the service cost.

4.4 Going concern

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

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

4.5 Estimated useful lives and residual life of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation on a straight-line basis over their estimated economic useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

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

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

4.7 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

5 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 IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform.

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

- Amendments to IAS 1 and IAS 8 Definition of Material

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

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

- Conceptual Framework for Financial Reporting issued on 29 March 2018

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

- Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

Reference to the Conceptual Framework – Amendments to IFRS 3

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

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

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

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

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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.

The amendments are not expected to have a material impact on the Company.

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 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.

The amendments are not expected to have a material impact on the Company.

IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Company.

7 REVENUE

Set out below is the disaggregation of the Company's revenue from operating:

	2020	*2019*
Type of services	***SR'000***	*SR'000*
Advisory fee	**35,718**	43,473
Asset management services	**24,657**	20,178
Brokerage income	**3,303**	2,124
Total revenue	**63,678**	65,775
Geographical markets		
Kingdom of Saudi Arabia	**44,787**	43,750
Kingdom of Bahrain	**13,266**	14,386
Others	**5,625**	7,639
Total revenue	**63,678**	65,775
Timing of revenue recognition		
Recognised at a over time	**24,657**	20,178
Recognised at a point in-time	**39,021**	45,597
Total revenue	**63,678**	65,775

7.1 Contract balances

	2020	*2019*
	SR'000	*SR'000*
Accounts receivable (note 16)	**4,400**	13,386
Accrued fees for asset management services (note 18)	**7,447**	5,146

8 SALARIES AND OTHER EMPLOYEE RELATED EXPENSES

	2020	*2019*
	SR'000	*SR'000*
Salaries	**19,724**	19,922
Bonus	**16,609**	16,885
Employee benefits	**10,379**	11,495
Employees' terminal benefits	**2,101**	1,863
Others	**4,094**	2,411
	52,907	52,576

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	SR'000	*SR'000*
Legal and professional fees	**3,315**	2,964
IT related expenses	**1,939**	933
Directors' remuneration	**1,163**	1,204
Travel and transportation expenses	**426**	1,360
Repair and maintenance	**351**	847
Withholding tax	**13**	109
Others	**368**	590
	7,575	8,007

10 ZAKAT

In 2016, the Company obtained an approval from the General Authority of Zakat and Tax ("GAZT") for an exemption to pay Zakat. Accordingly, the Company has not considered zakat for current and previous years.

Status of assessments

The zakat returns for the years from 2008 up to, and including, 2017 have been submitted to the GAZT. However, the assessments have not yet been finalised by the GAZT for any of these years.

11 PROPERTY AND EQUIPMENT

	Leasehold Improvements and Furniture	*Equipment*	*Work in Progress*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*
Cost:				
At 1 January 2019	5,860	6,249	386	12,495
Additions	4	42	42	88
Disposal	-	-	(18)	(18)
Transfer	145	241	(386)	-
At 31 December 2019	**6,009**	**6,532**	**24**	**12,565**
Additions	52	-	1,054	1,106
Disposal	(133)	(10)	-	(143)
Transfer	25	867	(892)	-
At 31 December 2020	**5,953**	**7,389**	**186**	**13,528**
Accumulated depreciation:				
At 1 January 2019	2,109	5,146	-	7,255
Charge for the year	975	585	-	1,560
At 31 December 2019	3,084	5,731	-	8,815
Charge for the year	1,000	629	-	1,629
Disposal	(133)	(10)	-	(143)
At 31 December 2020	3,951	6,350	-	10,301
Net book amounts:				
At 31 December 2020	**2,002**	**1,039**	**186**	**3,227**
At 31 December 2019	2,925	801	24	3,750

12 INVESTMENT HELD AT FVTOCI

	2020	*2019*
Local equity - Quoted	***SR'000***	*SR'000*
Cost		
At 31 December 2020 and 2019	**21,289**	21,289
Valuation adjustment:		
At 1 January	**2,162**	-
Movement during the year	**(166)**	2,162
At the end of the year	**1,996**	2,162
Carrying amount		
At 31 December	**23,285**	23,451

As at 31 December 2020, investments classified as fair value through Other Comprehensive Income ("FVTOCI") comprise of investment in shares of Saudi Arabian Oil Company (Saudi Aramco). The fair value is based on quoted market price at reporting date as per the Saudi Stock Exchange ("Tadawul").

12.1 During the year ended 31 December 2020, the Company has received dividend income amounting to SR 0.8 million (2019: nil) from Saudi Aramco.

13 RIGHT-OF-USE ASSETS

	Offices	*Total*
	SR'000	*SR'000*
Cost:		
At 1 January 2019	**-**	-
Additions	**7,128**	7,128
At 31 December 2020 and 2019	**7,128**	7,128
Accumulated depreciation:		
At 1 January 2019	**-**	-
Charge for the year	**1,637**	1,637
At 31 December 2019	**1,637**	1,637
Charge for the year	**1,667**	1,667
At 31 December 2020	**3,304**	3,304
Net carrying amounts:		
At 31 December 2020	**3,824**	3,824
At 31 December 2019	**5,491**	5,491

14 SHORT-TERM DEPOSITS

Short term deposits represent deposits placed with Gulf International Bank - KSA, a related party (note 23) . These deposits have original maturities above three months (2019: same) and carry a mark up at rates ranging from 0.7% to 2.9% per annum (2019: 1.6% to 3.1%) per annum. These deposits are due to mature between February 2021 and August 2021 (31 December 2019: January 2020 and June 2020).

15 INVESTMENT HELD AT FVTPL

	2020	*2019*
Local equity	***SR'000***	*SR'000*
At 1 January	**185**	174
Unrealised gains/(losses) on investment	**-**	11
Realised gains on sale of an investment held at FVTPL	**59**	-
Proceeds from sale of an investment held at FVTPL	**(244)**	-
At 31 December	**-**	185

15.1 These investments were quoted on the Saudi Stock Exchange (Tadawul) and sold during the year.

16 ACCOUNTS RECEIVABLE

	2020	*2019*
	SR'000	*SR'000*
Accounts receivable – gross	**6,311**	14,973
Less: Expected credit loss	**(1,911)**	(1,587)
	4,400	13,386

As of 31 December 2020, the Company's majority gross outstanding accounts receivable balances relate to the investment banking (advisory fee income) transactions.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2020	***Current***	***90-180 days***	***180-365 days***	***365> days***	***Total (SR'000)***
Estimated total gross amount at default (SR'000)	**-**	**643**	**2,510**	**3,158**	**6,311**
Expected credit loss (SR'000)	**-**	**(6)**	**(370)**	**(1,535)**	**(1,911)**
Loss ratio	**0%**	**1%**	**15%**	**49%**	**30%**

31 December 2019	*Current*	*90-180 days*	*180-365 days*	*365> days*	*Total (SR'000)*
Estimated total gross amount at default (SR'000)	9,830	-	912	4,231	14,973
Expected credit loss (SR'000)	(49)	-	(114)	(1,424)	(1,587)
Loss ratio	0.5%	0%	13%	34%	11%

Movement in the provision for expected credit loss was as follows:	***2020***	*2019*
	SR'000	*SR'000*
At the beginning of the year	**1,587**	921
Charge during the year	**324**	666
At the end of the year	**1,911**	1,587

The receivables from third party customers are non-interest bearing and are generally on terms of immediate to 30 days.

17 RECEIVABLE AGAINST MARGIN LENDING

During the year, the Company started extending margin financing facilities to its customers to invest in the Saudi Stock Exchange ("Tadawul") who wish to actively trade on a leveraged basis. Margin lending receivable amounts to SR 3.53 million as at 31 December 2020 and is secured through equity securities in Tadawul amount to SR 10.35 million. The facilities are reviewed at least on an annual basis.

As at 31 December 2020, management after considering the nature of these receivable and collateral available, believe that no allowance for expected credit loss is required against these receivables.

The Company has recognized special commission income from margin lending services amounting to SR 0.4 thousands during the year which has been currently classified under brokerage income, interest rates of margin lending during the year ranging from 2.3% to 3.8%.

During the year, certain key management personnel of the Company were granted margin financing facilities with authorized limits aggregating to SR 5.1 million. As at the reporting date SR 3.5 million was outstanding balances (note 24).

18 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	*2019*
	SR'000	*SR'000*
Accrued fees for asset management services	**7,447**	5,146
Prepayments	**1,244**	1,115
Accrued interest on short term deposits (note 24)	**180**	2,137
Loans to employees	**27**	693
Due from a related party (note 24)	**-**	41
Others	**294**	-
	9,192	9,132

19 SHARE CAPITAL

The authorised and issued share capital of the Company comprises 20 million shares of SAR 10 each. All issued shares are fully paid.

Name of the shareholder	*Percentage of ownership*	***2020 SR'000***	*2019 SR'000*
Gulf International Bank B.S.C., Bahrain	100%	**200,000**	200,000

20 EARNINGS PER SHARE

Basic and diluted profit per share is calculated by dividing the net profit for the year attributable to the shareholder of the Company by the weighted average number of outstanding shares during the year.

	2020	*2019*
	SR'000	*SR'000*
Net profit for the year	**2,771**	5,830
Weighted average number of outstanding shares during the year	**20,000**	20,000
Basic and diluted earnings per share of the Company	**0.1**	0.3

21 LEASE LIABILITIES

	2020 SR'000	2019 SR'000
At the beginning of the year	**6,905**	7,128
Interest expense for the year	**198**	252
Payments during the year	**(3,592)**	(475)
At 31 December	**3,511**	6,905

	2020 SR'000	2019 SR'000
Current	**1,324**	1,669
Non-current	**2,187**	5,236
	3,511	6,905

Maturity analysis - contractual undiscounted cash flows	2020 SR'000	2019 SR'000
Less than 1 year	**1,864**	1,890
Later than one year to five years	**4,065**	5,929
	5,929	7,819

22 EMPLOYEES' TERMINAL BENEFITS

The movement of employee terminal benefit liabilities is as follows:

	2020 SR'000	2019 SR'000
Balance at the beginning of the year	**9,568**	7,308
Provision for the year	**2,102**	1,863
Paid during the year	**(3,317)**	(23)
Remeasurement (gain)/loss	**(482)**	420
Balance at the end of the year	**7,871**	9,568

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

Details of employee benefit expenses as presented in the statement profit or loss and other comprehensive income is as follows:

	2020 SR'000	2019 SR'000
Current service cost	**1,785**	1,501
Interest cost	**317**	362
	2,102	1,863

22 EMPLOYEES' TERMINAL BENEFITS (continued)

The significant assumptions used in determining employees' terminal benefits are shown below:

	2020	*2019*
Discount rate	**2.4%**	3.10%
Future salary increment rate	**2.4%**	4.6%
Retirement age	**60 years**	60 years

All movements in the employee defined benefit liabilities are recognised in statement of profit or loss and other comprehensive income.

Increments
The assumption for future salary increases has been determined by the Company based on its long term expectations, reflecting both inflationary and promotional increases.

Resignation rates
The turnover assumption determines the rate at which individuals are assumed to resign from the Company before retirement.

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.

	2020	*2019*
	SR'000	*SR'000*
Increase in discount rate of 0.5%	**(371)**	(467)
Decrease in discount rate of 0.5%	**399**	504
Increase in rate of salary increase of 0.5%	**232**	431
Decrease in rate of salary increase of 0.5%	**(220)**	(405)

The following payments are expected against the defined benefits liability in future years:

	2020	*2019*
	SR'000	*SR'000*
Within the next 12 months (next annual reporting period)	**313**	465
Between 2 and 5 years	**3,448**	2,830
Beyond 5 years up to 10 years	**5,734**	8,584
Total expected payments	**9,495**	11,879

The average duration of the defined benefit plan obligation at 2020 is 9.77 years (2019: 10.13 years).

23 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	*2019*
	SR'000	*SR'000*
Accrued bonus	**17,063**	16,885
Due to related parties (note 24)	**4,116**	4,217
Accrued expenses	**1,902**	2,407
Accounts payable	**1,319**	3,786
VAT payable	**360**	834
Withholding tax	**54**	142
Others	**70**	374
	24,884	28,645

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholder and entity's controlled , jointly controlled or significantly influence by such party (affiliates). Pricing and policy and terms of payment with related parties are approved by the Company's BoD, following is the list of related parties of the Company:

Gulf International Bank - KSA (the "Bank") acts as the banker of the Company. At 31 December 2020, the cash balance at bank was held in the current account maintained with the Bank.

Transactions with related parties were as follows:

Related Parties	***Nature of transactions***	***Relation***	***Amounts of transactions***	
			2020	*2019*
			SR'000	*SR'000*
Gulf International Bank – KSA	Interest income on short-term deposits	Fellow subsidiary	**2,964**	5,132
	Support services received		**240**	240
	Rent and utility's costs		**2,040**	1,905
	Revenue from asset management		**335**	540
Gulf International Bank B.S.C.	Allocation of shared service cost	Parent	**1,765**	2,011
Gulf International Bank UK	Commission	Fellow subsidiary	**32**	68
Key management personnel	Commission on margin lending		**0.4**	-
Board of Directors	Directors' remuneration and other expenses		**1,200**	1,204

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties resulted in the following balances due to/from the GIB KSA, GIB UK and Parent bank:

	2020	*2019*
	SR'000	*SR'000*
Amounts due from related parties presented in current assets:		
Bank balance	**9,288**	9,124
Short-term deposits (note 14)	**170,000**	168,000
Accrued interest on short term deposits (note 18)	**180**	2,137
Due from Gulf International Bank UK (note 18)	**-**	41
Receivable against margin lending (note 17)	**3,538**	-

	2020	*2019*
	SR'000	*SR'000*
Amounts due to related parties presented in current liabilities:		
Due to Gulf International Bank B.S.C.	**3,777**	2,011
Due to Gulf International Bank – KSA	**266**	2,138
Due to Gulf International Bank UK	**73**	68
Due to realted parties (note 23)	**4,116**	4,217

Compensation of key management personnel
The remuneration of the key members of management during the year was as follows:

	2020	*2019*
	SR'000	*SR'000*
Short term benefits	**9,611**	9,604
Employees' terminal benefits - long term	**1,329**	3,034
	10,940	12,638

25 ASSETS HELD UNDER FIDUCIARY CAPACITY

25.1 Assets under management

Customers funds' and discretionary portfolio assets are managed with a fiduciary capacity without risk of recourse to the Company. These assets are considered as off balance sheet items and do not constitute part of the Company's assets. This amounts to SR 4.1 billion (2019: SR 3.7 billion) as at 31 December 2020.

25.2 Balances held under brokerage and securities cash accounts

As at 31 December 2020, cash balances and securities held in brokerage accounts amounting to SR 147 million (2019: SR 292 million) were kept with GIB KSA. GIB Capital does not hold any cash accounts for customers and hence requires customers to hold their cash balances in a designated securities cash account in GIB KSA in order to transact in the local securities market using services of GIB Capital.

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation, monitoring of risks and controls.

The Company 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 analyse 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's 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 has dedicated Risk and Compliance functions. Day-to-day risk management activities are managed within each respective business unit. The Board of Directors meets on a quarterly basis and is updated on all relevant aspects of the business, including risk management matters.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Equity price risk
- Interest rate risk
- Foreign exchange rate risk
- Liquidity risk

	Measurement category	***2020*** ***SR'000***	*2019* *SR'000*
Financial assets			
Short-term deposits	Amortised cost	**170,000**	168,000
Investment held at FVTOCI	FVTOCI	**23,285**	23,451
Accounts receivable	Amortised cost	**4,400**	13,386
Receivable against margin lending	Amortised cost	**3,538**	-
Advances and other current assets	Amortised cost	**7,948**	8,017
Bank balances	Amortised cost	**9,288**	9,124
Investment held at FVTPL	FVTPL	**-**	185
		218,459	222,163

		2020 ***SR'000***	*2019* *SR'000*
Financial liabilities			
Accrued expenses and other current liabilities	Amortised cost	**24,884**	28,645
		24,884	28,645

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management of risk is an essential element of the Company's business. The major risks faced by the Company are those related to credit, market and liquidity. These risks are managed in the following manner:

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises principally on short term deposits, accounts receivable and the cash balance at bank. At 31 December 2020, the Company had 2 customers (2019: 5) that owed more than SR 4.2 million and accounted for approximately 69% (2019: 72%) of all the accounts receivables outstanding. There were 2 customers (2019: 6) with balances greater than SR 1 million accounting for just over 68% (2019: 81%) of the total amounts of accounts receivables.

Management believes that the Company has no significant exposure to credit risk in respect of short term deposits or the cash balance at bank, as these amounts were maintained with Gulf International Bank - KSA as at 31 December 2020, which is a related party and a reputable bank. The credit risk with respect to accounts receivable and margin lending is limited as these balances are spread across multiple customers.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market variables such as interest rates, equity prices and foreign exchange rates.

Equity price risk

Equity price risk arises from exposures to changes in the price and volatility of individual equities or equity indices. The Company's equity price risk arises on its investment held at FVTOCI and FVTPL. The Company seeks to manage this risk by investing in dissimilar sectors. In addition to the exercise of business judgment and management experience, the Company utilises limit structures including those relating to positions, portfolios and maturities to manage its equity price risk exposures.

Interest rate risk

Interest rate risk results from exposure to changes in the level and volatility of interest rates and credit spreads. The Company's interest rate risk arises on its short-term deposits. The Company's short-term deposits have a short tenure and carry a fixed rate of interest. and therefore is not expecting any interest risk.

Foreign exchange rate risk

Foreign exchange rate risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liability in that currency. The Company is not exposed to the risk of fluctuation in foreign exchange rates as most of the Company's transactions are in Saudi Arabian Riyals.

Liquidity risk

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

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has access to credit facilities.

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The contractual maturities of the financial liabilities (undiscounted values) of the Company as at reporting date are as follows:

31 December 2020

	SR'000				
	Within 3 months	***3 months to 1 year***	***Above 1 year***	***No fixed maturity***	***Total***
Liabilities	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Accounts payable	**-**	**1,319**	**-**	**-**	**1,319**
Due to a related party	**-**	**-**	**-**	**4,116**	**4,116**
Accrued bonus	**17,063**	**-**	**-**	**-**	**17,063**
VAT payable	**360**	**-**	**-**	**-**	**360**
Accrued expenses	**-**	**1,902**	**-**	**-**	**1,902**
Lease liabilities	**-**	**1,864**	**4,065**	**-**	**5,929**
Others	**124**	**-**	**-**	**-**	**124**
	17,547	**5,085**	**4,065**	**4,116**	**30,813**

31 December 2019

	SR'000				
	Within 3 months	*3 months to 1 year*	*Above 1 year*	*No fixed maturity*	*Total*
Liabilities	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Advisory fee payable	-		-	-	-
Accounts payable	-	3,786	-	-	3,786
Due to a related party	3,942	-	-	-	3,942
Accrued bonus	16,885	-	-	-	16,885
VAT payable	1,197	-	-	-	1,197
Accrued expenses	-	2,682	-	-	2,682
Lease liabilities	-	1,669	5,236	-	6,905
Others	142	11	-	-	153
	22,166	8,148	5,236	-	35,550

Capital Management

The Company uses regulatory capital ratios and its Internal Capital Adequacy Assessment Process (ICAAP) to monitor its capital base. The Company manages its capital structure and makes appropriate adjustments to the structure taking account of changes in economic conditions and strategic business plans. The Company's lead regulator the Capital Market Authority (CMA) sets and monitors capital requirements for the Company. As referred to more detail in note 29, the Company adopted the CMA Rules for calculating the minimum capital required and monitoring its capital adequacy framework. The Company complied with all externally imposed capital requirements throughout the year ended 31 December 2020 and for the year ended 31 December 2019 and there have been no material changes to the Company's management of capital.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market are accessible by the Company.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table presents the Company's financial assets measured and recognised at fair value:

		Fair value			
As At 31 December 2020	*Carrying value*	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets measured at fair value					
Investment held at FVTOCI	23,285	23,285	-	-	23,285
Financial assets not measured at fair value					
Accounts receivable	4,400	-	-	4,400	4,400
Receivable against margin lending	3,538	-	-	3,538	3,538
Short-term deposits	170,000	-	-	170,000	170,000
As At 31 December 2019					
Financial assets					
Investment held at FVTOCI	23,451	23,451	-	-	23,451
Investment held at FVTPL	185	185	-	-	185
Financial assets not measured at fair value					
Accounts receivable	13,386	-	-	13,386	13,386
Short-term deposits	168,000	-	-	168,000	168,000
					-

As at the reporting date, the carrying values of the financial assets measured under amortise cost relate to accounts receivable, receivable against margin lending and short-term deposits which approximate their fair value amounts. Financial liabilities such as accrued expenses and other current liabilities approximate fair values measured under amortise cost.

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2020 (2019: Same).

28 COMMITMENTS AND CONTINGENCIES

The following contingent liabilities were outstanding at the statement of financial position date:

	2020	2019
	SR'000	*SR'000*
Performance guarantees	**100,996**	25,996
Bid bond guarantees	**175**	-
	101,171	25,996

29 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

The Capital Market Authority (CMA) has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	2020	2019
	SR'000	*SR'000*
Capital base		
Tier 1 capital	**188,492**	185,239
Tier 2 capital	**1,996**	2,162
Total capital base (A)	**190,488**	187,401
Minimum capital requirement		
Credit risk	**21,873**	30,878
Operational risk	**16,123**	16,204
Market risk	**-**	33
Total minimum capital requirement (B)	**37,996**	47,115
Surplus (C=A-B)	**152,492**	140,286
Capital adequacy ratio (D=A/B)	**5.01**	3.98

a) The capital base of the Company comprised:

- Tier 1 capital comprises paid up share capital, retained earnings, and reserves.
- Tier 2 capital comprises fair value reserve

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

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

d) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

30 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year. The details for reclassification as follow:

	As at 31 December 2019 SR'000		
	Previously reported	*Adjustment*	*Reclassified amount*
Advances, prepayments and other current assets	9,495	(363)	9,132
Accrued expenses and other current liabilities	(29,008)	363	(28,645)

31 IMPACT OF CORONAVIRUS ("COVID-19")

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

The Company has evaluated the current situation and its impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the potential business disruption that the COVID-19 outbreak may have on its operations and financial performance. The Company has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for their people (such as social distancing and working from home etc.).

At this stage, the impact on the business and results has not been significant and based on experience to date the Company expect this to remain the case. However, it continues to be challenging to reliably ascertain the specific effects of the pandemic and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements.

32 EVENTS AFTER THE REPORTING DATE

Subsequent to year end, on 1 January 2021, GIB Bank - A Saudi Closed Joint Stock Company (a related party) has acquired 100% of the issued share capital of the Company for a consideration of SR 256.7 million. The approval from the relevant authorities have been obtained, however, the related legal formalities have not yet been completed.

33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were approved by the Board of Directors on 23 Rajab 1442H (corresponding to 7 March 2021).