GIB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent auditor's report

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(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the shareholder of GIB Capital Company

Opinion

We have audited the financial statements of GIB Capital Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 March 2021.

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent auditor's report

To the shareholder of GIB Capital 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 ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
License no: 348

Riyadh: 19 Sha'ban 1443H
Corresponding to: 22 March 2022

GIB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	**31 December 2021 SR '000**	31 December 2020 SR '000
ASSETS			
Cash and cash equivalents	*11*	**32,905**	9,288
Accounts receivable	*7*	**1,389**	4,400
Receivables against margin lending	*8*	**39,693**	3,538
Investment held at amortized cost	*10*	**140,000**	170,000
Investment held at fair value through other comprehensive income ("FVOCI")	*5*	**23,817**	23,285
Advances, prepayments and other current assets	*9*	**14,712**	9,192
Property and equipment	*4*	**2,347**	3,227
Right-of-use assets	*6*	**2,881**	3,824
Total assets		**257,744**	226,754
LIABILITIES AND EQUITY			
Liabilities			
Accrued expenses and other current liabilities	*13*	**33,612**	24,884
Lease liabilities	*6*	**2,422**	3,511
Employees' end of service benefits	*12*	**6,547**	7,871
Total liabilities		**42,581**	36,266
Equity			
Share capital	*14*	**200,000**	200,000
Statutory reserve		**4,490**	3,768
Fair value reserve		**2,528**	1,996
Retained earnings / (accumulated losses)		**8,145**	(15,276)
Total equity		**215,163**	190,488
Total liabilities and equity		**257,744**	226,754

The accompanying notes from 1 to 27 form an integral part of these financial statements.

GIB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	For the year ended 31 December	
		2021	2020
		SR'000	SR'000
Operating income			
Income from advisory services	*15*	**43,307**	35,718
Income from asset management services	*15*	**40,549**	24,657
Income from brokerage services	*15*	**6,339**	3,303
Special commission income	*15*	**1,739**	2,964
Total revenue		**91,934**	66,642
Dividend income	*5*	**936**	622
Total operating income		**92,870**	67,264
Operating expenses			
Salaries and employee related benefits	*16*	**(53,462)**	(52,907)
General and administrative expenses	*17*	**(11,271)**	(7,575)
Depreciation	*4 & 6*	**(2,444)**	(3,296)
Impairment allowance for expected credit losses ("ECL")	*7*	**(2,614)**	(324)
Rent and premises-related expenses		**(726)**	(391)
Total operating expenses		**(70,517)**	(64,493)
Net profit for the year		**22,353**	2,771
Other comprehensive income:			
Items that will not be reclassified to profit and loss in subsequent periods:			
Investment held at FVOCI – net change in fair value		**532**	(166)
Remeasurement of employees' end of service benefits	*12*	**1,790**	482
Total other comprehensive income for the year		**2,322**	316
Total comprehensive income for the year		**24,675**	3,087

The accompanying notes from 1 to 27 form an integral part of these financial statements.

GIB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

(SR'000)	**Share capital**	**Statutory reserve**	**Fair value reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2021	**200,000**	**3,768**	**1,996**	**(15,276)**	**190,488**
Total comprehensive income					
Profit for the year	--	--	--	**22,353**	**22,353**
Other comprehensive income for the year	--	--	**532**	**1,790**	**2,322**
Total comprehensive income for the year	--	--	**532**	**24,143**	**24,675**
Transfer to statutory reserve	--	**722**	--	**(722)**	--
Balance as at 31 December 2021	**200,000**	**4,490**	**2,528**	**8,145**	**215,163**

(SR'000)	Share capital	Statutory reserve	Fair value reserve	Accumulated losses	Total
Balance as at 1 January 2020	200,000	3,768	2,162	(18,529)	187,401
Total comprehensive income					
Profit for the year	--	--	--	2,771	2,771
Other comprehensive (loss) / income for the year	--	--	(166)	482	316
Total comprehensive (loss) / 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 accompanying notes from 1 to 27 form an integral part of these financial statements.

GIB CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	**For the year ended 31 December**	
		2021	2020
		SR'000	SR'000
Cash flows from operating activities			
Net profit for the year		**22,353**	2,771
Adjustments for:			
Depreciation		**2,444**	3,296
Provision for employees' end of service benefit		**1,857**	2,102
Impairment charge for ECL		**2,614**	324
Gain on sale of investment held at FVTPL		**--**	(59)
Finance cost on lease liability		**57**	194
Special commission income		**(1,300)**	(2,964)
Changes in operating assets and liabilities:			
Decrease in accounts receivable		**397**	8,662
Increase in receivables against margin lending		**(36,155)**	(3,538)
Increase in advances, prepayments and other current assets		**(5,128)**	(2,017)
Increase / (decrease) in accrued expenses and other liabilities		**8,728**	(3,955)
		(4,133)	(848)
Employees' end of service benefits paid		**(1,391)**	(3,317)
Lease liability paid		**(1,146)**	(3,394)
Net cash used in operating activities		**(6,670)**	(7,559)
Cash flows from investing activities			
Acquisition of property and equipment		**(621)**	(1,106)
Proceeds from maturity of investments at amortized cost		**250,000**	**--**
Acquisition of investments at amortized cost		**(220,000)**	(2,000)
Special commission income received from investments at amortized cost		**908**	4,921
Proceeds from sale of investment held at FVTPL		**--**	244
Net cash generated from investing activities		**30,287**	2,059
Increase in cash and cash equivalents		**23,617**	164
Cash and cash equivalents at the beginning of the year		**9,288**	9,124
Cash and cash equivalents at the end of the year		**32,905**	9,288

The accompanying notes from 1 to 27 form an integral part of these financial statements.

1 GENERAL INFORMATION

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, a limited liability company after obtaining the approval of the Capital Market Authority on 27 Rabi Awwal 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 Muharram 1439H (corresponding to 14 August 2017).

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 CMA to amend the list of the Company's approved activities under resolution No. 12-02-2011 dated 6 Jumada Alawwal 1432H (corresponding to 10 April 2011).

On 1 January 2021, Gulf International Bank – Saudi Arabia C.J.S.C. acquired 100% shareholding from Gulf International Bank B.S.C. and became the Parent of the Company.

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

a) Statement of compliance

The accompanying financial statements for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

b) Basis of measurement

These financial statements have been prepared on a going concern basis under historical cost convention except for investments which are carried at fair value through other comprehensive income, and employee end of service benefits which are measured using actuarial techniques at present value. These financial statements are presented in Saudi Arabian Riyals ("SR"), which is both the presentation and functional currency of the Company. Except where indicated, the financial information presented in SR is rounded to the nearest thousand.

2 BASIS OF PREPARATION (CONTINUED)

c) Critical accounting estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Key areas where management has used estimates, assumptions or exercised judgements is as follows:

Employees' end of service benefits

The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

d) Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual audited financial statements.

New standards, amendments and interpretations adopted in preparation of these financial statements

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021. The management has assessed that the amendments have no significant impact on the Company's financial statements.

- Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- COVID 19 - related rent concessions (amendments to IFRS 16).

New standards and amendments issued but not yet effective and not early adopted

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2022 are listed below. The Company has opted not to early adopt these pronouncements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1, Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure initiative: accounting policies;

2 BASIS OF PREPARATION (CONTINUED)

d) Changes in accounting policies

New standards and amendments issued but not yet effective and not early adopted (continued)

- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10, Consolidated financial statements and IAS 28 investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

The management of the Company anticipates that the application of the above new standards and amendments in the future will not have a significant impact on the amounts reported.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

3.1 Financial instruments

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. 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.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

Financial assets (continued)

Subsequent 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 FVOCI (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 comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

Financial assets (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.

ECL 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

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.

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

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVIS where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVIS are measured at amortized cost.

Derecognition

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Impairment of non-financial assets

Significant non-financial assets owned by the Company are mainly 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 Short term deposits (Investments held at amortized cost)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 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.

Lease liabilities

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

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

Short-term and low values leases

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employees' end of service benefits

The Company operates a non-funded employee terminal benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. 5 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.

3.10 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.

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:

- 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.

3.11 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Fair value measurement (continued)

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:

● 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.

3.13 Taxes

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 ZATCA is included as part of other assets or other liabilities.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Provisions

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.

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 comprehensive income.

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 and performance obligations are met. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Revenue recognition (continued)

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/investors 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

Income on brokerage transaction is recognized on accrual basis net of expenses. The moment the transaction is executed / concluded, the agent (in this case the Company) has satisfied its performance obligation, which is considered as a performance obligation satisfied at a point in time and not over a period of time. Thus, upon rendering of services the revenue from brokerage – is to be recognized. Brokerage income earned on a daily buy and sell transactions is recognized on the trade date.

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.

Special commission income

Special commission income on short term deposits is recognised on an accrual basis.

4 PROPERTY AND EQUIPMENT

	Leasehold improvements SR'000	Office equipment SR'000	Capital work-in-progress SR'000	Total SR'000
Cost:				
Balance at 1 January 2020	6,009	6,532	24	12,565
Additions	52	--	1,054	1,106
Disposals	(133)	(10)	--	(143)
Transfer	25	867	(892)	--
Balance at 31 December 2020	5,953	7,389	186	13,528
Balance at 1 January 2021	**5,953**	**7,389**	**186**	**13,528**
Additions	**4**	**617**	**--**	**621**
Balance at 31 December 2021	**5,957**	**8,006**	**186**	**14,149**
Accumulated depreciation:				
Balance at 1 January 2020	2,951	5,721	--	8,672
Charge for the year	1,000	629	--	1,629
Balance at 31 December 2020	3,951	6,350	--	10,301
Balance at 1 January 2021	**3,951**	**6,350**	**--**	**10,301**
Charge for the year, net	**892**	**609**	**--**	**1,501**
Balance at 31 December 2021	**4,843**	**6,959**	**--**	**11,802**
Net book value				
Balance at 31 December 2020	2,002	1,039	186	3,227
Balance at 31 December 2021	**1,114**	**1,047**	**186**	**2,347**

5 INVESTMENT HELD AT FVOCI

	31 December 2021 SR'000	31 December 2020 SR'000
Saudi Arabian Oil Company ("Saudi Aramco")	**23,817**	23,285

As at 31 December 2021, investment classified as fair value through other comprehensive income ("FVOCI") comprises 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"). During the year there was no sale or purchase of investment.

During the year ended 31 December 2021, the Company has received dividend income amounting to SR 0.9 million (2020: SR 0.8 million) from Saudi Aramco.

6 RIGHT-OF-USE ASSETS

	SR'000
Cost:	
Balance at 1 January 2020 and 31 December 2020	7,128
Balance at 1 January 2021 and 31 December 2021	**7,128**
Accumulated depreciation:	
Balance at 1 January 2020	1,637
Charge for the year	1,667
Balance at 31 December 2020	3,304
Balance at 1 January 2021	**3,304**
Charge for the year	**943**
Balance at 31 December 2021	**4,247**
Net book value	
Balance at 31 December 2020	3,824
Balance at 31 December 2021	**2,881**

The movement of corresponding lease liability is as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Lease liability at the beginning of the year	**3,511**	6,905
Finance cost on lease liability	**57**	198
Payment during the year	**(1,146)**	(3,592)
Lease liability at the end of the year	**2,422**	3,511

Maturity analysis	**31 December 2021 SR'000**	31 December 2020 SR'000
Less than one year	**2,361**	1,864
One year to five years	**61**	4,065
	2,422	5,929

7 ACCOUNTS RECEIVABLE

	31 December 2021 SR'000	31 December 2020 SR'000
Gross carrying amount	**5,914**	6,311
Less: Impairment allowance for ECL	**(4,525)**	(1,911)
	1,389	4,400

As at 31 December 2021, the Company's majority gross outstanding accounts receivable balances relate to the investment banking (advisory fee income) transactions.

7 ACCOUNTS RECEIVABLE (CONTINUED)

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

31 December 2021	**Current**	**90 – 180 days**	**181 – 365 days**	**More than 365 days**	**Total**
			SR'000		
Gross carrying amount	**777**	**-**	**2,021**	**3,116**	**5,914**
Less: Impairment allowance for ECL	**-**	**-**	**(1,930)**	**(2,595)**	**(4,525)**
Loss ratio	**0%**	**-**	**96%**	**83%**	**77%**

31 December 2020	Current	90 – 180 days	181 – 365 Days	More than 365 Days	Total
			SR'000		
Gross carrying amount	-	643	2,510	3,158	6,311
Less: Impairment allowance for ECL	-	(6)	(370)	(1,535)	(1,911)
Loss ratio	-	1%	15%	49%	30%

7.1 The movement in impairment allowance for ECL on accounts receivable is as follows:

	For the year ended 31 December	
	2021 SR'000	2020 SR'000
At the beginning of the year	**1,911**	1,587
Charge for the year	**2,614**	324
At the end of the year	**4,525**	1,911

8 RECEIVABLES AGAINST MARGIN LENDING

The Company extends receivable against margin lending facilities to its customers to invest in the Saudi stock exchange. These facilities are backed by collaterals and extended up to a maximum period of one year and bear prevailing profit rates on the amount of receivable against margin lending. As at 31 December 2021, receivables against margin lending amounted to SAR 39.7 million (2020: SAR 3.6 million) and were secured against equity securities in Tadawul amounting to SAR 172 million (2020: SAR 10.4 million). The facilities are reviewed at least on an annual basis.

During the year, key management personnel of the Company have been granted receivable against margin lending facilities with authorized limits aggregating to SAR 14.2 million (2020: SAR 3.5 million).

The Company has recognized special commission income from margin lending services amounting to SR 0.4 million during the year (2020 – SR Nil). Profit rates of margin lending during the year ranged from 2.3% to 3.8% (2020 – 2.3% to 3.8%).

9 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 SR'000	31 December 2020 SR'000
Accrued fees for asset management services	**12,429**	7,447
Prepayments	**1,759**	1,244
Accrued special commission income – investment held at amortized cost	**392**	180
Others	**132**	321
	14,712	9,192

10 INVESTMENTS HELD AT AMORTIZED COST

Investments held at amortized cost represent short term placements with Gulf International Bank – Saudi Arabia C.J.S.C. ("the Parent"). These deposits have original maturities above three months (2020: above three months) and carry a mark-up at rates ranging from 0.6% to 0.9% per annum (2020: 0.7% to 2.9%). These deposits are due to mature between May 2022 and June 2022 (31 December 2020: February 2021 and August 2021).

11 CASH AND CASH EQUIVALENTS

	31 December 2021 SR'000	31 December 2020 SR'000
Cash at Bank – current accounts	**32,905**	9,288

This represents account maintained with the Parent. As at 31 December 2021, the Parent has an investment grade rating as rated by the international rating agencies.

12 EMPLOYEES' END OF SERVICE BENEFITS

12.1 The movement in employee benefits is as follows:

	For the year ended 31 December	
	2021 SR '000	2020 SR '000
Defined benefit obligation as at 1 January	**7,871**	9,568
Included in profit or loss		
- current service cost	**1,652**	1,784
- financing cost	**205**	317
Included in OCI		
Remeasurement: Actuarial (gain) / loss arising from:		
- financial assumptions	**(153)**	454
- demographic assumptions	**(523)**	-
- experience adjustments	**(1,114)**	(936)
	(1,790)	(482)
Benefits paid	**(1,391)**	(3,316)
Defined benefit obligation as at 31 December	**6,547**	7,871

12 EMPLOYEE BENEFITS (CONTINUED)

12.2 Principal actuarial assumptions

	31 December 2021	31 December 2020
Discount rate (%)	**2.25**	2.40
Future salary increases (%)	**2.25**	2.40

Discount rate

This rate was used to calculate the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount employee benefits is determined by reference to the market yields on high quality corporate bonds at the end of the reporting period. In case of the Company, the discount rate was derived with reference to US dollar denominated Kingdom of Saudi Arabia government traded bonds with maturities consistent with the estimated term of the employee benefits. The average duration of the employment benefit obligation was 9.77 years (31 December 2020: 10.13 years).

Salary increases

The salary escalation of 2.25% (31 December 2020: 2.40%) has been assumed as the long-term salary escalation rate and is broadly consistent with the benchmark salary increment rate of the region.

Turnover

The turnover assumption has been based on the prior year assumptions for attrition rates, which was considered to be in-line with the actual attrition rates.

12.3 Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefits as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Discount rate		
0.5% increase	**(220)**	(371)
0.5% decrease	**234**	399
Future salary increases		
0.5% increase	**186**	232
0.5% decrease	**(177)**	(220)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method used for calculating the employees' end of service benefit (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied.

13 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2021 SR'000	31 December 2020 SR'000
Accrued bonus	**22,687**	17,063
Due to related parties (note 21)	**8,027**	4,116
Accrued expenses	**1,325**	1,902
Accounts payable	**1,232**	1,319
VAT payable	**240**	360
Others	**101**	124
	33,612	24,884

14 SHARE CAPITAL

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

	31 December 2021 SR'000	31 December 2020 SR'000
Gulf International Bank B.S.C.	**--**	200,000
Gulf International Bank – Saudi Arabia C.J.S.C. ("the Parent") – refer Note 1	**200,000**	--
	200,000	200,000

15 REVENUE

Set out below is the Company's revenue from operations:

	2021 SR'000	2020 SR'000
Advisory fee	**43,307**	35,718
Asset management services	**40,549**	24,657
Brokerage income	**6,339**	3,303
Special commission income (refer note 15.1)	**1,739**	2,964
	91,934	66,642

15.1 Special commission income consists of income from:

	2021 SR'000	2020 SR'000
Investments held at amortized cost	**1,300**	2,964
Receivables from margin lending	**439**	--
	1,739	2,964

16 SALARIES AND EMPLOYEE RELATED BENEFITS

	2021	2020
	SR'000	SR'000
Salaries	**17,764**	19,724
Bonus	**20,625**	16,609
Employee benefits	**9,544**	10,379
Employees' end of service benefits (refer Note 12)	**1,857**	2,101
Others	**3,672**	4,094
	53,462	52,907

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SR'000	SR'000
Legal and professional fees	**3,199**	3,315
IT related expenses	**3,384**	1,939
Directors' remuneration	**1,203**	1,163
Travel and transportation expenses	**720**	426
Repair and maintenance	**677**	351
Withholding tax	**87**	13
Others	**1,991**	368
	11,271	7,575

18 ZAKAT

During 2016, the Company obtained an approval from the ZATCA for an exemption to pay Zakat. Accordingly, in line with this exemption the Company has not accrued zakat for the 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 ZATCA. However, assessments for these years have not yet been finalised by ZATCA.

19 FINANCIAL INSTRUMENTS - FAIR VALUES

19.1 Fair value measurements of financial instruments

	Carrying value	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
31 December 2021					
Financial assets					
Financial assets measured at fair value					
Investment held at FVOCI	**23,817**	**23,817**	**-**	**-**	**23,817**
Financial assets not measured at fair value					
Accounts receivable	**1,389**	**-**	**-**	**1,389**	**1,389**
Receivables against margin lending	**39,693**	**-**	**-**	**39,693**	**39,693**
Investments held at amortized cost	**140,000**	**-**	**-**	**140,000**	**140,000**
	204,369	**23,817**	**-**	**181,082**	**204,369**
Financial liabilities					
Financial liabilities not measured at fair value					
Accrued expenses and other current liabilities	**33,612**	**-**	**-**	**33,612**	**33,612**

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2020					
Financial assets					
Financial assets measured at fair value					
Investment held at FVOCI	23,285	23,285	-	-	23,285
Financial assets not measured at fair value					
Accounts receivable	4,400	-	-	4,400	4,400
Receivables against margin lending	3,538	-	-	3,538	3,538
Investments held at amortized cost	170,000	-	-	170,000	170,000
	177,938	23,285	-	177,938	177,938
Financial liabilities					
Financial liabilities not measured at fair value					
Accrued expenses and other current liabilities	24,884	-	-	24,884	24,884

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

20 FINANCIAL RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's 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 exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

20.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss.

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

	31 December 2021 SR'000	31 December 2020 SR'000
Accounts receivable	**5,914**	6,311
Receivable against margin lending	**39,693**	3,538
Investments held at amortized cost	**140,000**	170,000
Other assets	**12,838**	7,654
Cash and cash equivalents	**32,905**	9,288
	231,350	189,137

Investments held at amortized cost and cash and cash equivalents are placed with the Parent, which has an investment grade rating. Other assets mainly relate to amounts due from asset management services and is settled within a short period. The receivables relate to receivable against margin lending trading portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized.

As at 31 December 2021 and 31 December 2020, the credit risk exposure for accounts receivable and receivables from margin lending by geographic region was limited to the Kingdom of Saudi Arabia only.

20 FINANCIAL RISK MANAGEMENT (CONTINUED)

20.2 Market risk

Profit rate risk
Profit rate risk is the risk that the profit rate changed is not commensurate with financing cost due to changes in the market commission rate. The Company has fixed rate receivables from margin lending and money market placements; hence, the Company is not exposed to any profit rate risk.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Arabian Riyals and US Dollars during the year. As Saudi Arabian Riyal is pegged to US Dollar, therefore the Company is not exposed to currency risk.

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

The Company's equity price risk arises on its investment held at FVOCI. The Company seeks to manage this risk by exercising business judgment and management experience. The Company utilizes limit structures including those relating to positions, portfolios and maturities to manage its equity price risk exposures.

20.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. All financial liabilities on the Company's statement of financial position are contractually payable on a current basis.

The Company's liquidity management process is as follows:

a. Day-to-day funding, managed by the Finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested;
b. Monitoring liquidity ratios against internal and regulatory requirements;
c. Managing the concentration and profile of debt maturities; and
d. Liquidity management and asset and liability mismatching.

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

31 December 2021 (SR'000)	**Total**	**0 - 1 year**	**1 - 5 years**	**No fixed maturity**
Non-derivative financial liabilities				
Accrued expenses and other current liabilities	**33,612**	**33,612**	--	--
31 December 2020 (SR'000)				
Non-derivative financial liabilities				
Accrued expenses and other current liabilities	24,884	24,884	--	--

21 RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of business, the Company transacts with its related parties. The principal related parties of the Company are Gulf International Bank – Saudi Arabia C.J.S.C, Gulf International Bank B.S.C., Gulf International Bank (UK) Limited, investment funds managed by the Company, Board of Directors and companies owned by members of the Board of Directors and key management personnel. The details of transactions during the year ended 31 December 2021 and balances as at 31 December 2021 resulting from such transactions are as follows:

21.1 Related party transactions

The significant transactions with related parties in relation to the Company's core activities are as follows:

Related party	Nature of transaction	For the year ended 31 December 2021 SR '000	2020 SR '000
Gulf International Bank – Saudi Arabia C.J.S.C.	Special commission income	**1,321**	2,964
	Support services received	**240**	240
	Rent and utilities	**2,448**	2,040
	Income from asset management	**156**	335
Gulf International Bank B.S.C.	Shared service cost	**1,722**	1,765
Gulf International Bank (UK) Limited	Commission	**-**	32
Board of Directors	Remuneration	**1,203**	1,200
Key management personnel	Short term benefits	**9,615**	9,611
	Employees' end of service benefits	**1,211**	1,329

21.2 Related party balances

Significant balances with related parties are as follows:

Related party	Nature of balance	31 December 2021 SR'000	31 December 2020 SR'000
Gulf International Bank – Saudi Arabia C.J.S.C.	Cash and cash equivalents	**32,905**	9,288
	Investments at amortized cost	**140,000**	170,000
	Accrued income	**392**	180
	Due to related party	**(2,414)**	(266)
Gulf International Bank B.S.C.	Due to related party	**(5,499)**	(3,777)
Gulf International Bank (UK) Limited	Due to related party	**(114)**	(73)

22 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company's has issued performance guarantee amounting to SAR 200 million (2020: SAR 101 million) which is outstanding at the reporting date.

23 CLIENTS' CASH ACCOUNTS

As at 31 December 2021, cash balances and securities held in brokerage accounts amounting to SR 116 million (2020: SR 147 million) were maintained with the Parent. The Company does not hold any cash accounts for customers and hence requires customers to hold their cash balances in a designated securities cash account with the Parent in order to transact in the local securities market using services of the Company.

Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

24 ASSETS UNDER MANAGEMENT

The Company manages investment portfolios and mutual funds on behalf of its customers, which amounts to SR 9.9 billion as at 31 December 2021 (31 December 2020: SR 4.1 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

25 CAPITAL ADEQUACY

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

	31 December 2021 SAR'000	31 December 2020 SAR'000
Capital base:		
Tier 1 Capital	**212,635**	188,492
Tier 2 Capital	**2,528**	1,996
Total capital base	**215,163**	190,488
Minimum capital requirement:		
Credit risk	**27,942**	16,123
Operational risk	**17,630**	21,873
Market risk	**-**	-
Total minimum capital required	**45,572**	37,996
Capital adequacy ratio:		
Total capital ratio (time)	**4.72**	5.01
Surplus in capital	**169,592**	152,492

25 CAPITAL ADEQUACY (CONTINUED)

Capital Base of the Company comprises of:

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

The Minimum Capital Requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules. The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors of the Company.

26 SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date which require adjustments to/or disclosure in the financial statements.

27 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 8 March 2022 by the Board of Directors' of the Company.