

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

31 DECEMBER 2019

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2019

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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)**

Opinion

We have audited the financial statements of GIB Capital Company (a single shareholder company) (the "Company"), a Saudi closed joint stock company, which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 issued 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 the Audit Committee 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 issued by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of 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.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

**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:

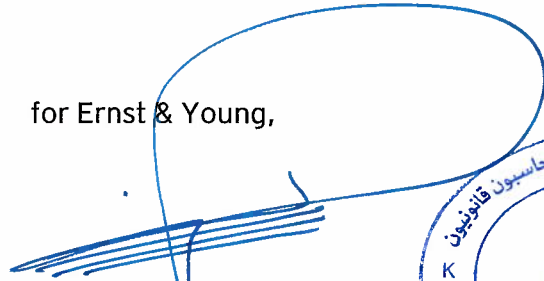
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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.

**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 (continued)

We communicate with the Audit Committee 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



15 Rajab 1441H
10 March 2020

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 2019

		<i>For the period from 15 Aug 2017 to 31 Dec</i>
	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>Note</i>	
REVENUES		
Advisory fee income	7	32,123
Income from asset management services	8	21,405
Brokerage income	9	-
TOTAL REVENUES		53,528
OPERATING EXPENSES		
Salaries and other employee related expenses	10	(63,531)
General and administrative expenses	11	(13,175)
Amortisation of right-of-use assets	15	-
Depreciation	13	(2,125)
Expected credit loss (charge)/reversal, net	18	6,257
Rent and premises related expenses		(3,032)
Advisory fee expense		(230)
TOTAL OPERATING EXPENSES		(75,836)
NET OPERATING PROFIT/(LOSS)		(22,308)
Interest income on short-term deposits	24	5,800
Interest expense, net		-
Unrealised gains /(losses) on investment held at FVTPL	17	(68)
PROFIT/(LOSS) BEFORE ZAKAT		(16,576)
Zakat	12	112
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(16,464)
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Net change in fair value of investment held at FVOCI	14	-
Actuarial (losses)/gains on employees' defined benefit liabilities	22	222
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR/PERIOD		(16,242)


The attached notes 1 to 31 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 2019

	<i>Note</i>	<i>2019</i> SR'000	<i>2018</i> SR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	3,750	5,240
Investment held at FVTOCI	14	23,451	-
Right-of-use-assets	15	5,491	-
TOTAL NON-CURRENT ASSETS		32,692	5,240
CURRENT ASSETS			
Short-term deposits	16, 24	168,000	181,500
Investment held at FVTPL	17	185	174
Accounts receivable	18	13,386	8,815
Advances, prepayments and other current assets	19	9,495	10,706
Bank balances		9,124	8,932
TOTAL CURRENT ASSETS		200,190	210,127
TOTAL ASSETS		232,882	215,367
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	20	200,000	200,000
Statutory reserve		3,768	3,768
Fair value reserve	14	2,162	-
Accumulated losses		(18,529)	(23,939)
TOTAL SHAREHOLDER'S EQUITY		187,401	179,829
NON-CURRENT LIABILITIES			
Lease liabilities non-current portion	21	5,236	-
Employees' terminal benefits	22	9,568	7,308
TOTAL NON-CURRENT LIABILITIES		14,804	7,308
CURRENT LIABILITIES			
Lease liabilities - current portion	21	1,669	-
Accrued expenses and other current liabilities	23	29,008	28,230
TOTAL CURRENT LIABILITIES		30,677	28,230
TOTAL LIABILITIES		45,481	35,538
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		232,882	215,367


Abdullah Mohammed Al Zamil
Chairman of the Board


Osamah Mohammed Shaker
Chief Executive Officer And Board
Member

The attached notes 1 to 31 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 2019

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Fair value reserve SR'000</i>	<i>Accumulated losses SR'000</i>	<i>Total SR'000</i>
As at 15 August 2017	200,000	3,768	-	(7,697)	196,071
Net loss for the period	-	-	-	(16,464)	(16,464)
Other comprehensive income for the period	-	-	-	222	222
Total comprehensive loss for the period	-	-	-	(16,242)	(16,242)
Balance as at 31 December 2018	200,000	3,768	-	(23,939)	179,829
As at 1 January 2019	200,000	3,768	-	(23,939)	179,829
Net profit for the year	-	-	-	5,830	5,830
Other comprehensive income for 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

The attached notes 1 to 31 form part of these financial statements.

GIB Capital Company
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

*For the period
from 15 Aug
2017 to 31 Dec*

		2019	<i>2018</i>
	<i>Note</i>	SR'000	<i>SR'000</i>
Cash flows from operating activities			
Profit/(loss) before zakat for the year/period		5,830	(16,576)
<i>Non-cash adjustments to reconcile profit/(loss) before zakat to net cash flows from operating activities:</i>			
Depreciation of property and equipment	13	1,560	2,125
Amortisation of right-of-use assets	15	1,637	-
Unrealised (gain)/loss on investment held at FVTPL	17	(11)	68
Employees' terminal benefits	22	1,863	2,226
Expected credit loss charge/(reversal), net	18	666	(6,257)
Interest expense, net		271	-
Interest income	24	(5,132)	(5,800)
		6,684	(24,214)
Changes in working capital:			
Accounts receivable		(5,237)	(205)
Advances, prepayments and other current assets		1,244	(3,425)
Accrued expenses and other current liabilities		507	16,379
Cash flows from/(used in) operating activities		3,198	(11,465)
Employees terminal benefits paid		(23)	(280)
Net cash flows from/(used in) operating activities		3,175	(11,745)
Cash flows from investing activities			
Purchase of property and equipment	13	(88)	(3,555)
Write-off of work in progress	13	18	-
Short term deposits with original maturity of more than three months		13,500	13,511
Addition to right-of-use assets	15	(7,128)	-
Interest income received	24	5,099	4,178
Purchase of investment held at FVTOCI	14	(21,289)	-
Lease liabilities		6,905	-
Net cash flows (used in)/from investing activities		(2,983)	14,134
Net increase in bank balances		192	2,389
Bank balances at the beginning of the year/period		8,932	6,543
BANK BALANCES AT THE END OF THE YEAR/PERIOD		9,124	8,932

The attached notes 1 to 31 form part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2019

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 LLC 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).

The comparative information for the statement of profit or loss and other comprehensive income, cash flows and changes in shareholder equity and related notes are not directly comparable as the comparative information is for the period from 15 August 2017 to 31 December 2018 while the current period information is for the year ended 31 December 2019.

The Company also has a branch GIB Capital Branch under Commercial Registration No. 2051046496 in Dhahran, Eastern Province, 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:

Low Rise Building 1,
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 historical cost basis, except otherwise as stated in the accounting policies below.

GIB Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

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 shall classify all other assets as non-current. When the Company's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

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 entity 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 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.

3.3 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. The Company has early adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 - Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The standard also introduced a new model based on Expected Credit Losses (ECL) for recognising loss provisions.

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

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

GIB Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Financial assets

All recognised financial assets are initially recognised at cost and subsequently measured in their entirety at either amortised cost or fair value, depending on the classification.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

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

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

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

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

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

Effective interest method

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Financial assets (continued)

Effective interest method (continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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

Interest income is recognised in the statement of profit or loss and other comprehensive income.

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

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

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

Impairment of financial assets

The Company always recognises lifetime Expected Credit Loss (“ECL”) for accounts receivable. The expected credit losses in these financial assets are estimated using a provision matrix based on the Company historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of the current conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Write-off Policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

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

GIB Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of profit or loss and other comprehensive income. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the statement of profit or loss and other comprehensive income. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of profit or loss and other comprehensive income, but is transferred to retained earnings.

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

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

3.4 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.

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.

3.5 Revenue recognition

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and was amended in April 2016. The framework establishes a comprehensive five step model for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations to account for revenue arising from contracts with customers.

The Company is in the business of dealing as a principal and agent, underwriting, managing, arranging, advising and acting as custodian of financial securities. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue on transactions are recognised as follows:

- Advisory fee income is recognised based on services performed under the applicable service contracts.
- Asset management fees are charged on the daily net asset value for managing private portfolios and are recognised as revenue rate ably as the services are provided.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Revenue recognition (continued)

- Brokerage fees are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service, for fees or components of fees that are linked to a certain performance obligation, after fulfilling the corresponding performance criteria. The Company typically has a single performance obligation with respect to these fees, which is to successfully complete the transaction specified in the contract.
- Interest income on short term deposits is recognised on an accruals basis.
- Dividend income is recognised when the Company's right to receive the dividend is established.
- Realised gains on the sale of investments held for trading are recognised on disposal.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 Leases

Policy applicable before 1 January 2019

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

Company as a lessor

Leases where the Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

(Policy applicable as of 1 January 2019)

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.

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 US \$ 5,000). 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.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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.

3.12 Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and amortisation 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 and amortisation 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 or 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.

3.13 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Fair value measurement (continued)

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.

3.14 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 payables.

3.15 Statutory reserve

As required by Saudi Arabian Regulations for companies and the Company's by-laws, the Company must transfer 10% of its net income for the year to the statutory reserve 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.

3.16 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

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 Provisions for impairment

Financial assets are evaluated for impairment on the basis set out in note 3.

In determining the impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows in the measure of ECL.

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 12 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 Useful lives and residual values of property and equipment

An estimate of the useful lives and residual values of property and equipment is made for the purposes of calculating depreciation. These estimates are made based on expected usage for useful lives and residual value is determined based on experience and observable data where available.

4.5 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.

4.6 Estimated useful lives 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.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the period ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 Leases. As required by IAS 17, the nature and effect of applying this standard is disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company applied modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16 at, 1 January 2019, to the retained earnings and not restate prior years. Since the Company recognised the right-of-use assets at the amount equal to the lease liabilities, there was no impact to the retained earnings.

The company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for offices. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and accrued expense, respectively.

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5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Nature of the effect of adoption of IFRS 16 (continued)

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Amounts recognised in the statement of financial position and statement of statement of profit or loss and comprehensive income

	<i>Offices</i>	<i>Total</i>	<i>Lease</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>liabilities</i>
			<i>SR'000</i>
At 1 January 2019	-	-	-
Additions	7,128	7,128	7,128
Depreciation expense	(1,637)	(1,637)	-
Interest charged	-	-	252
Payments	-	-	(475)
At 31 December 2019	<u>5,491</u>	<u>5,491</u>	<u>6,905</u>

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6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the standards and amendments to standards which were issued but not effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements:

- *IFRS 17 Insurance Contracts*
- *Definition of a Business – Amendments to IFRS 3*
- *Definition of Material – Amendments to IAS 1 and IAS 8*
- *The Conceptual Framework for Financial Reporting*

7 ADVISORY FEE INCOME

Advisory fee income amounting to SAR 43.5 million (for the period from 15 August 2017 to 31 December 2018: SR 32.1 million) was recognised during the year based on services rendered in relation to financial advisory services.

8 INCOME FROM ASSET MANAGEMENT SERVICES

Income from asset management services amounting to SAR 20.2 million (for the period from 15 August 2017 to 31 December 2018: SAR 21.4 million) is recognised during the year based on services rendered in relation to discretionary portfolio management services.

9 BROKARAGE INCOME

Income from brokerage commission amounting SR 2.1 million (for the period from 15 August 2017 to 31 December 2018: nil) is recognised during the year based on buys and sells of securities on behalf of its customers and receives a fixed commission for each transaction.

10 SALARIES AND OTHER EMPLOYEE RELATED EXPENSES

	2019	<i>For the period from 15 Aug 2017 to 31 Dec 2018</i>
	SR'000	SR'000
Salaries	19,922	25,152
Bonus	16,885	18,014
Allowances	11,495	14,976
Employees' terminal benefits	1,863	2,226
Others	2,411	3,163
	52,576	63,531

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

11 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the period from 15 Aug 2017 to 31 Dec 2018</i>
	<i>2019</i>
	<i>SR'000</i>
	<i>SR'000</i>
Legal and professional fees	2,964
IT related expenses	933
Travel and transportation expenses	1,360
Directors' remuneration	1,204
Repair and maintenance	847
VAT expense	42
Withholding tax	109
Others	548
	<u>8,007</u>
	<u>13,175</u>

12 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.

13 PROPERTY AND EQUIPMENT

	<i>Leasehold Improvements and Furniture</i>	<i>Equipment</i>	<i>Work in Progress</i>	<i>2019 Total</i>	<i>2018 Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Cost:</i>					
At the beginning of the year	5,860	6,249	386	12,495	8,940
Additions	4	42	42	88	3,555
Transfer	145	241	(386)	-	-
Write-off	-	-	(18)	(18)	-
At 31 December 2019	<u>6,009</u>	<u>6,532</u>	<u>24</u>	<u>12,565</u>	<u>12,495</u>
<i>Accumulated depreciation:</i>					
At the beginning of the year	2,109	5,146	-	7,255	5,130
Charge for the year	975	585	-	1,560	2,125
At 31 December 2019	<u>3,084</u>	<u>5,731</u>	<u>-</u>	<u>8,815</u>	<u>7,255</u>
<i>Net book amounts:</i>					
<i>At 31 December 2019</i>	<u>2,925</u>	<u>801</u>	<u>24</u>	<u>3,750</u>	
<i>At 31 December 2018</i>	<u>3,751</u>	<u>1,103</u>	<u>386</u>		<u>5,240</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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14 INVESTMENT HELD AT FVTOCI

	<i>2019</i>	<i>2018</i>
<i>Local equity</i>	<i>SR'000</i>	<i>SR'000</i>
Purchased during the year	21,289	-
Net change in fair value	2,162	-
At 31 December	23,451	-

During the year the Company has invested in Aramco IPO. The Company acquired 665,275 shares at SR 32 per share.

15 RIGHT-OF-USE ASSETS

	<i>Offices</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Cost:</i>		
At 1 January 2019	-	-
Additions	7,128	7,128
At 31 December 2019	7,128	7,128
<i>Accumulated depreciation:</i>		
At 1 January 2019	-	-
Charge for the year	1,637	1,637
At 31 December 2019	1,637	1,637
<i>Net carrying amounts:</i>		
At 31 December 2019	5,491	5,491

16 SHORT-TERM DEPOSITS

Short term deposits represent deposits placed with Gulf International Bank - KSA, a related party. These deposits have original maturities of one to nine months (2018: same) and carry a mark up at rates ranging from 1.6% to 3.1% per annum (2018: 2.85% to 3.15%) per annum. These deposits are due to mature between January 2020 and June 2020 (31 December 2018: January 2019 and March 2019).

17 INVESTMENT HELD AT FVTPL

	<i>2019</i>	<i>2018</i>
<i>Local equity</i>	<i>SR'000</i>	<i>SR'000</i>
At 1 January	174	242
Unrealised gains/(losses) on investment	11	(68)
At 31 December	185	174

These shares are held at local equity's and are listed on the Saudi Stock Exchange.

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18 ACCOUNTS RECEIVABLE

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Accounts receivable – gross	14,973	9,736
Less: Expected credit loss	(1,587)	(921)
	<u>13,386</u>	<u>8,815</u>

As of 31 December 2019, the Company's majority gross outstanding accounts receivable balances relate to the investment banking transactions.

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

31 December 2019	<i>Current</i>	<i>90-180 days</i>	<i>180-365 days</i>	<i>365> days</i>	<i>Total</i> <i>(SR'000)</i>
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)
<i>31 December 2018</i>	<i>Current</i>	<i>90-180 days</i>	<i>180-365 days</i>	<i>365> days</i>	<i>Total</i> <i>(SR'000)</i>
Estimated total gross amount at default (SR'000)	5,065	1,342	462	2,867	9,736
Expected credit loss (SR'000)	(22)	(8)	(69)	(822)	(921)

Movement in the provision for expected credit loss was as follows:

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
At the beginning of the year/period	921	7,178
Charged during the year/period	666	743
Reversed during the year/period	-	(7,000)
At the end of the year/period	<u>1,587</u>	<u>921</u>

The receivables from third party customers are non-interest bearing and are generally on terms of 30 to 90 days.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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19 ADVANCES, PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Accrued fees for asset management services	5,146	5,761
Accrued interest on short term deposits (note 24)	2,137	2,104
Prepayments	1,115	1,669
Loans to employees	693	762
Due from a related party (note 24)	41	104
Others	363	306
	<u>9,495</u>	<u>10,706</u>

20 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.

	<i>Percentage of ownership</i>	<i>2019</i>	<i>2018</i>
<i>Name of the shareholder</i>		<i>SR'000</i>	<i>SR'000</i>
Gulf International Bank B.S.C., Bahrain	100%	<u>200,000</u>	<u>200,000</u>

21 LEASE LIABILITIES

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Lease liabilities recognised due to adoption of IFRS 16 (note 5)	7,128	-
Additions during the year/period	-	-
Interest expense for the year/period	252	-
Payments during the year/period	(475)	-
At 31 December	<u>6,905</u>	<u>-</u>

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21 LEASE LIABILITIES (continued)

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Current	1,669	-
Non-current	5,236	-
	6,905	-
Maturity analysis - contractual undiscounted cash flows		
	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Less than 1 year	1,890	-
Later than one year to five years	5,929	-
	7,819	-

22 EMPLOYEES' TERMINAL BENEFITS

The movement of employee defined benefit liabilities is as follows:

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Balance at the beginning of the year/period	7,308	5,584
Provision for the year/period	1,863	2,226
Paid during the year/period	(23)	(280)
Remeasurement loss/(gain)	420	(222)
Balance at the end of the year/period	9,568	7,308

The most recent actuarial valuation was performed by 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:

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Current service cost	1,501	1,974
Interest cost	362	252
	1,863	2,226

The significant assumptions used in determining employees' end of service liability are shown below:

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Discount rate	3.10%	4.60%
Future salary increment rate	4.6%	4%
Retirement age	60 years	60 years

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22 EMPLOYEES' TERMINAL BENEFITS (continued)

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.

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Increase in discount rate of 0.5%	9,101	6,943
Decrease in discount rate of 0.5%	10,072	7,702
Increase in rate of salary increase of 0.5%	9,999	7,613
Decrease in rate of salary increase of 0.5%	9,163	7,020

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

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Within the next 12 months (next annual reporting period)	465	368
Between 2 and 5 years	2,830	2,200
Beyond 5 years up to 10 years	8,584	7,368
Total expected payments	11,879	9,936

The average duration of the defined benefit plan obligation at 2019 is 10.13 years (2018: 10.37 years).

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23 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Accrued bonus	16,885	11,496
Advisory fee payable	1,532	6,810
Accrued expenses	2,407	3,708
Accounts payable	2,254	3,175
Due to related parties (note 24)	4,217	1,796
VAT payable	1,197	483
Employee payables	-	334
Withholding tax	142	142
Others	374	286
	29,008	28,230

24 RELATED PARTY TRANSACTIONS AND BALANCES

Gulf International Bank B.S.C., Bahrain is the ultimate parent company (the "Parent Bank"). Related parties of the Company include the Parent Bank and its affiliated companies and branches. In the ordinary course of its activities, the transactions with related parties are carried out on mutually agreed terms.

Gulf International Bank - KSA(the "Bank") acts as banker of the Company. At 31 December 2019, the cash balance at bank was held in the current account maintained with the Bank.

Transactions with related parties were as follows:

<u>Related Parties</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
		<i>2019</i>	<i>2018</i>
		<i>SR'000</i>	<i>SR'000</i>
Gulf International Bank – KSA	Interest income on short-term deposits	5,132	5,800
	Support services received	(240)	332
	Revenue from asset management	540	-
Gulf International Bank B.S.C.	Allocation of shared service cost	2,011	2,671
Board of Directors	Directors' remuneration and other expenses	1,204	1,574

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

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:

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Amounts due from related parties presented in current assets:</i>		
Bank balance	9,124	8,932
Short-term deposits (note 16)	168,000	181,500
Accrued interest on short term deposits (note 19)	2,137	2,104
Due from Gulf International Bank UK (note 19)	41	104
	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Amounts due to related parties presented in current liabilities:</i>		
Due to Parent Bank (note 23)	2,011	1,796
Due to Gulf International Bank – KSA (note 23)	2,138	-
Due to Gulf International Bank UK (note 23)	68	-

Compensation of key management personnel

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

	<i>2019</i>	<i>2018</i>
	<i>SR'000</i>	<i>SR'000</i>
Short term benefits	9,604	8,032
Employees' terminal benefits	3,034	2,435
	12,638	10,467

25 ASSETS HELD UNDER FIDUCIARY CAPACITY

25.1 Assets under management

These represent mutual funds' and discretionary portfolio assets managed by the Company, which amount to SR 3.67 billion (2018: SR 1.8 billion) as at 31 December 2019.

25.2 Balances held under brokerage and securities cash accounts

As at 31 December 2019, cash balances and securities held in brokerage accounts amounting to SR 3.9 billion (2018: SR 360 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2019

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

	2019	2018
	SR'000	SR'000
Financial assets		
<i>Amortised cost</i>		
Short-term deposits	168,000	181,500
Investment held at FVTOCI	23,451	-
Accounts receivable	13,386	8,815
Advances, prepayments and other current assets	9,495	10,706
Bank balances	9,124	8,932
Investment held at FVTPL	185	174
	<u>223,641</u>	<u>210,127</u>
	2019	2018
	SR'000	SR'000
Financial liabilities		
<i>Amortised cost</i>		
Accrued expenses and other current liabilities	29,008	28,230
	<u>29,008</u>	<u>28,230</u>

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.

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 ,Saudi Arabia as at 31 December 2019, which is a related party and also has a good repute in the Kingdom of Saudi Arabia. The credit risk with respect to accounts receivable 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 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.

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 cash at bank balance and short-term deposits. The Company's short-term deposits have a short tenure and carry a fixed rate of interest. The Company manages any significant interest rate risk by keeping the interest periods to the short-term and by regularly monitoring short-term interest rate movements.

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.

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

31 December 2019

	<i>SR'000</i>				<i>Total</i>
	<i>Within 3 months</i>	<i>3 months to 1 year</i>	<i>Above 1 year</i>	<i>No fixed maturity</i>	
<u>Liabilities</u>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Advisory fee payable	-	1,532	-	-	1,532
Accounts payable	-	2,254	-	-	2,254
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
Others	142	374	-	-	516
	22,166	6,842	-	-	29,008

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

31 December 2018

	SR'000				Total SR'000
	Within 3 months SR'000	3 months to 1 year SR'000	Above 1 year SR'000	No fixed maturity SR'000	
Liabilities					
Advisory fee payable	6,810	-	-	-	6,810
Accounts payable	-	3,100	75	-	3,175
Due to a related party	1,796	-	-	-	1,796
Employee payables	334	-	-	-	334
Others	11,496	1,266	-	3,353	16,115
	<u>20,436</u>	<u>4,366</u>	<u>75</u>	<u>3,353</u>	<u>28,230</u>

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 28, 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 2019 and for the period from 15 August 2017 to 31 December 2018 and there have been no material changes to the Company's management of capital in these two periods.

27 COMMITMENTS AND CONTINGENCIES

The Company does not have any commitments and contingencies at the year end (2018: nil).

28 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:

	2019 SR'000	2018 SR'000
Capital base		
Tier 1 capital	185,239	179,803
Tier 2 capital	2,162	-
Total capital base (A)	<u>187,401</u>	<u>179,803</u>
Minimum capital requirement		
Credit risk	30,878	20,841
Operational risk	16,204	13,999
Market risk	33	31
Total minimum capital requirement (B)	<u>47,115</u>	<u>34,871</u>
Surplus (C=A-B)	<u>140,286</u>	<u>144,932</u>
Capital adequacy ratio (D=A/B)	<u>3.98</u>	<u>5.16</u>

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28 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY (continued)

a)The capital base of the Company comprised:

- Tier 1 capital comprises paid up share capital, retained earnings, and reserves.
- Tier 2 capital comprises subordinated loans up to an amount equivalent to 50% of Tier 1 capital and 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

29 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current year.

30 EVENTS AFTER THE REPORTING DATE

There were no events that occurred after the reporting date that have a material impact on the figures reported in the statement of financial position or in the statement of income.

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company were approved by the Board of Directors on 6 Rajab 1441H (corresponding to 1 March 2020).