SAUDI FRANSI CAPITAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Independent auditor's report to the shareholder of Saudi Fransi Capital Company (A Saudi Closed Joint Stock Company)

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional 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.

Responsibilities of the management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report to the shareholder of Saudi Fransi Capital 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 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, 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.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 28, 2021

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	2019
Assets			
Current assets			
Cash and bank balances	3	**995,079,282**	1,382,516,513
Margin / murabaha financing	4	**1,353,498,660**	1,486,207,044
Prepayments and other receivables – net	6	**26,674,261**	33,943,291
Loans to employees - net	7	**1,384,804**	1,293,735
Advance income tax		**8,667,178**	4,516,928
Total current assets		**2,385,304,185**	2,908,477,511
Non-current assets			
Property and equipment	8	**5,047,350**	4,700,526
Intangible assets	9	**18,671,783**	10,496,563
Investments held at FVOCI	5	**25,000**	25,000
Loans to employees - net	7	**16,099,721**	16,352,954
Margin / murabaha financing	4	**-**	5,582,629
Total non-current assets		**39,843,854**	37,157,672
Total assets		**2,425,148,039**	2,945,635,183
Shareholder's equity and liabilities			
Liabilities			
Current liabilities			
Short-term borrowings	10	**1,253,644,067**	1,393,990,293
Accrued and other liabilities	11	**61,648,110**	56,104,074
Deferred income		**4,526,458**	14,898,055
Employees' benefit obligations	13.2	**3,528,626**	3,462,067
Zakat and income tax provisions	12	**29,820,915**	37,364,369
Total current liabilities		**1,353,168,176**	1,505,818,858
Non-current liability			
Employees' benefit obligations	13.2	**47,572,092**	40,923,353
Total non-current liability		**47,572,092**	40,923,353
Total liabilities		**1,400,740,268**	1,546,742,211
Shareholder's equity			
Share capital	1	**500,000,000**	500,000,000
Statutory reserve		**134,044,673**	121,559,538
Retained earnings		**388,961,194**	776,594,979
Re-measurements reserve of employees' benefit obligations		**1,401,904**	738,455
Total shareholder's equity		**1,024,407,771**	1,398,892,972
Total shareholder's equity and liabilities		**2,425,148,039**	2,945,635,183

The accompanying notes from 1 to 23 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2020	2019
Operating income			
Income from brokerage services - net		**149,996,297**	62,582,438
Income from asset management services - net		**139,039,093**	140,253,328
Income from advisory and investment banking services – net		**41,933,552**	26,053,254
Income from margin / murabaha financing		**45,948,855**	59,448,985
Custody services related fees		**3,155,881**	3,954,560
Total operating income		**380,073,678**	292,292,565
Operating expenses			
Salaries and employees' related benefits		**(143,118,907)**	(139,280,178)
Other general and administrative expenses	15	**(80,073,303)**	(40,233,426)
Expected credit loss ("ECL") on financial assets	17.2.1	**(5,234,677)**	(383,632)
Marketing expenses		**(75,456)**	(318,673)
Total operating expenses		**(228,502,343)**	(180,215,909)
Income from operations		**151,571,335**	112,076,656
Other income / (expenses)			
Special commission expense on short-term borrowings	16.1	**(15,510,946)**	(32,916,796)
Special commission income		**15,745,476**	33,622,031
Others		**1,463,235**	677,602
Income before zakat and income tax		**153,269,100**	113,459,493
Zakat – net	12.2	**(24,081,988)**	(33,166,435)
Income tax – net	12.3	**(4,335,762)**	(3,183,912)
Net income for the year		**124,851,350**	77,109,146

The accompanying notes from 1 to 23 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2020	2019
Net income for the year		**124,851,350**	77,109,146
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of income			
- FV changes on equity investments held at FVOCI		-	(639,277)
- Re-measurement gain on employees' benefit obligations, net	13.2	**663,449**	738,455
Other comprehensive income for the year		**663,449**	99,178
Total comprehensive income for the year		**125,514,799**	77,208,324

The accompanying notes from 1 to 23 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve – FVOCI investments	Re-measurements reserve - employees' benefit obligations	Total
Balance at January 1, 2020		**500,000,000**	**121,559,538**	**776,594,979**	**-**	**738,455**	**1,398,892,972**
Net income for the year		-	-	124,851,350	-	-	124,851,350
Other comprehensive income for the year		-	-	-	-	663,449	663,449
Total comprehensive income for the year		-	-	124,851,350	-	663,449	125,514,799
Dividend paid during the year		-	-	(500,000,000)	-	-	(500,000,000)
Transfer to statutory reserve		-	12,485,135	(12,485,135)	-	-	-
December 31, 2020		**500,000,000**	**134,044,673**	**388,961,194**	**-**	**1,401,904**	**1,024,407,771**
Balance at January 1, 2019		500,000,000	113,848,623	708,398,727	(562,702)	-	1,321,684,648
Net income for the year		-	-	77,109,146	-	-	77,109,146
Other comprehensive loss for the year		-	-	-	(639,277)	738,455	99,178
Total comprehensive income for the year		-	-	77,109,146	(639,277)	738,455	77,208,324
Transfer of loss on disposal of equity investments held at FVOCI		-	-	(1,201,979)	1,201,979	-	-
Transfer to statutory reserve		-	7,710,915	(7,710,915)	-	-	-
Balance at December 31, 2019		500,000,000	121,559,538	776,594,979	-	738,455	1,398,892,972

The accompanying notes from 1 to 23 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31, 2020	2019
Cash flows from operating activities			
Income before zakat and income tax		**153,269,100**	113,459,493
Adjustments for non-cash charges and other items			
Depreciation	8	**2,021,624**	2,117,637
Amortization	9	**1,102,965**	1,496,484
Provision for employees' end of service benefits ("EOSB)	13.1	**6,598,684**	6,429,994
ECL on doubtful receivable and others, net	6 & 17.2.1	**5,242,177**	391,201
Reversal of ECL on loans to employees - net	17.2.1	**(7,500)**	(7,569)
Property and equipment written off	8	**-**	570,341
Changes in working capital			
Margin / murabaha financing		**138,291,013**	(230,141,516)
Prepayments and other receivables		**2,026,853**	(6,176,977)
Advance income tax		**(6,510,329)**	(2,360,077)
Loans to employees - net		**169,664**	1,146,204
Short-term borrowings		**(140,346,226)**	230,239,781
Accrued and other liabilities		**5,380,228**	45,591,031
Deferred income		**(10,371,597)**	7,992,036
Employees' benefit obligations - LTIP		**4,357,172**	-
Employees' benefit obligations - Employees' EOSB	13.1	**(3,413,301)**	(1,309,186)
Zakat and income tax paid	12.2 & 12.3	**(33,601,125)**	(28,249,430)
Net cash generated from operating activities		**124,209,402**	141,189,447
Cash flows from investing activities			
Additions to property and equipment	8	**(2,368,448)**	(1,349,256)
Additions to intangible assets	9	**(9,278,185)**	(6,767,669)
Proceeds from disposal of equity investments held at FVOCI		**-**	5,641,048
Net cash utilized in investing activities		**(11,646,633)**	(2,475,877)
Cash flow from financing activity			
Dividend paid during the year	16.1	**(500,000,000)**	-
Cash utilized in financing activity		**(500,000,000)**	-
Net change in cash and bank balances		**(387,437,231)**	138,713,570
Cash and bank balances at the beginning of the year		**1,382,516,513**	1,243,802,943
Cash and bank balances at the end of the year	3	**995,079,282**	1,382,516,513

The accompanying notes from 1 to 23 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Fransi Capital Company (the "Company") Company is a Closed Joint Stock Company. The Company was registered as a limited liability Company in the Kingdom of Saudi Arabia under commercial registration number 1010231217 issued in Riyadh on Rabi-Al Awwal 26, 1428H (corresponding to April 14, 2007). The Company was converted from a limited liability company to a closed joint stock company on Rabi Al-Awwal 29, 1438H (corresponding to December 28, 2016) which is the date of new commercial registration. The Company's statutory financial statements are prepared from January 1 and to the end of December of each Gregorian year.

The registered address of the Company is P.O. Box 23454, Riyadh 11426, Kingdom of Saudi Arabia. The Company is 100% owned by Banque Saudi Fransi (the "Bank").

The Company obtained Capital Market Authority ("CMA") license number 07052-05 on Muharam 19, 1428H (corresponding to February 7, 2007), and obtained the commencement letter from CMA on Muharam 4, 1429H (corresponding to January 13, 2008).

The licensed activities are to act as a principal, underwriter and agent to provide dealing of securities, managing, arranging, advisory, and custody services for securities activities. In the ordinary course of its business, the Company provides brokerage services in Saudi stock exchange and international stock exchanges, establishment and management of mutual funds and portfolio management, underwriting, arranging, advisory, margin financing, murabaha, custody services and equity swap facilities.

During the year ended December 31, 2010, the management of the Bank resolved to merge CAAM Saudi Fransi Company Limited and Calyon Saudi Fransi Limited (together "the Merged Companies") into Fransi Tadawul Company and change its name to Saudi Fransi Capital Company. The CMA Board of Commissioners issued a resolution dated Safar 26, 1432H (corresponding to January 30, 2011) (the merger date) approving the merger of the associated companies into the Company, change of its name, increase in paid-up share capital to Saudi Riyals 500 million and amending its licensed activities with immediate commencement of its activities under new license number 11153-37.

The Company is in the process of deregistering the commercial records of the merged companies CAAM Saudi Fransi Company Limited with the commercial registration number 1010235891 dated Rajab 04, 1428H (corresponding to July 18, 2007) and Calyon Saudi Fransi Limited with the commercial registration number 1010241446 dated Dhul Qa'dah 29, 1428H (corresponding to February 11, 2008).

The Company's ownership structure is set out below:

Shareholder	**Country of origin**		**December 31, 2020**	**December 31, 2019**
Banque Saudi Fransi	Saudi Arabia	Number of shares	**500,000**	500,000
		Share capital (SR)	**500,000,000**	500,000,000

The Bank has Saudi and Non-Saudi shareholders. The percentage holding of Saudi and Non-Saudi shareholders in the Bank as at December 31, 2020 is 86.99% and 13.01%, respectively.

These financial statements were approved by the Company's Board of Directors on March 18, 2021.

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

(ii) Historic cost convention

These financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of investments held at fair value through other comprehensive income ("FVOCI")
  - employees' end of service benefits ("EOSBs") carried at present value using projected unit credit method
- using accrual basis of accounting.

(iii) Functional and presentation currency

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

(iv) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

There are no significant estimates in the Company's financial statements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period. Some estimates are made but those are not material.

(v) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- *Definition of Material – amendments to IAS 1 and IAS 8*
- *Definition of a Business – amendments to IFRS 3*
- *Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7*
- *Revised Conceptual Framework for Financial Reporting*

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The Company also elected to adopt the following amendment:

- *Annual Improvements to IFRS Standards 2018-2020 Cycle.*

The amendments listed above did not have any impact on the financial statements of the Company.

(vi) New standards not yet effective and not early adopted by the Company

Certain new accounting standards and amendments to accounting standards and interpretations have been published that are effective for annual periods beginning on or after January 1, 2021 but have not been early adopted by the Company. These standards are not expected to have a material impact on the financial statement of the Company.

(vii) Going concern

These financial statements have been prepared on a going concern basis. The Company's management 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 management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as going concern.

2.2 Cash and bank balances

Cash and bank balances include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and bank balances are carried at amortised cost in the statement of financial position.

2.3 Financial instruments

2.3.1 Classification and measurement of financial assets

2.3.1.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company records financial instruments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. For financial assets or financial liabilities held at fair value through statement of income, the transaction costs are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost, which results in an ECL charge being recognised in the statement of income when an asset is newly originated.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through statement of income ("FVSI")

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the SPPP test does not pass and the related financial asset is classified and measured at FVSI.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The SPPP assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured as described in Note 2.3.2. Profit earned from these financial assets is recognised in the statement of income using the effective commission rate method.

Fair value through statement of income ("FVSI"): If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI, where cashflows do not represents solely SPPP, is recognised in the statement of income, within "Net gain/(loss) in investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within "Net gain / (loss) in investments designated at FVSI or held for trading".

Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognized in statement of income. When the debt financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Currently bank balances, margin / murabaha financing receivables, loans to employees - net and other receivables are classified as held at amortised cost. There are no debt securities classified as FVSI or FVOCI.

<u>Equity instruments</u>

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. On disposal, fair value gains/losses are transferred directly from fair value reserve to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income when the Company's right to receive payments is established.

Currently, all the equity investments (shares in an unquoted entity) have been classified as FVOCI by the Company.

2.3.2 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
(vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include bank balances, margin / murabaha financing, loans to employees - net and other receivables.

The impact of ECL on the financial assets of the Company other than loans to employees and receivables from customers is immaterial. A significant exposure of the Company is held as placement with the Bank which has a sound credit rating as at the reporting date and the Company considers that it has low credit risk. The rating of the Bank as at December 31, 2020 was "A-2" (December 31, 2019: "A-2") as per Standard and Poor's (S&P).

ECL on margin / murabaha financing is Nil due to the factors mentioned in Note 2.3.2.3.

For ECL measurement on loans to employees please refer Note 2.3.2.3.

The Company considers that the remaining financial assets are immaterial and have low credit risk.

2.3.2.1 Stages of impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses ("ECL") where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of special commission income.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company i.e. have defaulted or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers "Default" event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.2 Transfer criterions

Margin / murabaha financing

The transfer criterions are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criterion shall be modified accordingly to reflect the appropriate credit risk in each of the stages.

Stage 1 to Stage 2

- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client breaches 125% and subsequently margin is called, the asset would be migrated to Stage 2.

Stage 2 to Stage 3

- For an asset in Stage 2, if the client's collateralization level falls below 100%, the client shall be considered credit impaired and the asset would be moved to Stage 3.

Loans to employees

Stage 1 to Stage 2

- If the loan of the employee is more than 30 days past due.

Stage 2 to Stage 3

- If the loan of the employee is more than 90 days past due.

2.3.2.3 Expected credit loss measurement

Margin / murabaha financing

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

A decrease in collateral percentage below 125% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

For the purpose of default rate calculation, the Company has used the liquidation events as trigger for defaults. The default rate as at reporting date equals the number of accounts defaulting in the next 12 months from reporting date divided by the total number of performing accounts during the reporting month.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Therefore, the historical experience relating to LGD has been 0%. Given the nature and extent of the collateral held against the Company's margin financing exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin financing facilities should be 200% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 144%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 144%. Hence, even though there might be small probability of default, the ECL would result in zero impairment provision, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at least to 150%. The over-collateralised nature of the exposure has been observed and expected to result in a loss given default ("LGD") of 0%.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Loans to employees

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

For each exposure any increase in past due days from 30 days is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Definition of default:

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL:

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering binomial distribution of total borrowers and total defaults. The choice of confidence level is subjective and a confidence level of below 90% is used for calculation of PD.

LGD is the magnitude of the likely loss if there is a default. As the Company has no loss history, an expert judgment-based model has been developed, based on the available information with the Company. Market value is calculated at initiation. A discount of 20% is applied to the market value to estimate the current market value. This is further discounted by 10% to adjust for the other direct and indirect costs to realise the receipts from the collateral to arrive at the total market value of the exposure. A coverage analysis is done between the market value and outstanding amount to arrive at the LGD.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.3 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI 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 FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

2.3.4 Fair valuation of financial instruments

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

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

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

2.3.5 Derecognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

2 Summary of significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). All other repair and maintenance costs are recognized in the statement of income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the Company and the cost of that item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	Years
Leasehold improvements	5 to 10 Years
Furniture and office equipment	4 to 10 Years
Motor vehicles	4 Years

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

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

Work in progress is stated at cost incurred less accumulated impairment, if any, until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials, services and capital advances. Work in progress is not depreciated.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life of 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income under 'other general and administrative expenses'.

2 Summary of significant accounting policies (continued)

2.5 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

2.6 Impairment of non-financial assets

Property and equipment and other non-financial assets

The Company assesses at each reporting date 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 or Cash Generating Unit's ("CGU") fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.7 Short-term borrowings

Short-term borrowings are initially recognised at fair value, net of transaction costs incurred. Short-term borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

2. Summary of significant accounting policies (continued)

2.7 Short-term borrowings (continued)

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Short-term borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of income as other income or finance costs.

Short-term borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.8 Accrued and other liabilities

Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Company. The Company is carrying these at amortised cost.

2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.10 Employees' benefits obligations

2.10.1 Employees' end of service benefits ("EOSBs")

The provision for employees' end of service benefits ("EOSBs") is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labour Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method by professionally qualified actuaries and arrived at using actuarial assumptions based on the market expectations at the date of statement of financial position. These valuations attribute entitlement benefits to the current period (to determine the current service cost). Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through statement of comprehensive income in the period in which these occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service costs are recognized in the statement of income on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

2 Summary of significant accounting policies (continued)

2.10 Employees' benefits obligations (continued)

2.10.2 Other long-term employees' benefits obligations

The Company has other long-term employees' benefits obligations (i.e., ex-gratia benefits and long-term incentive plan) that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service and upon the satisfaction of certain conditions. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

2.13 Zakat and income taxes

The Company is subject to Zakat and income tax in accordance with the regulation of the General Authority of Zakat and Tax ("GAZT"). Zakat and income taxes are charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax is provided in full, if material, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax relating to items recognised outside statement of income is recognised either in statement of comprehensive income or directly in equity.

2 Summary of significant accounting policies (continued)

2.13 Zakat and income taxes (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company also 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")

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the receivable, including VAT.

2.14 Determination of control over investment funds

The Company acts as a Fund Manager to a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in those mutual funds in all cases, and therefore has not consolidated these funds.

2.15 Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

3 Summary of significant accounting policies (continued)

2.16 Revenue

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue as it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policies for the various revenue streams are as follow:

Brokerage income

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

Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

This fee compensates and contributes to single performance obligation, the Company's obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

2 Summary of significant accounting policies (continued)

2.16 Revenue (continued)

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised when services are determined as complete in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e. monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Dividend income

Dividend income is recognised when the right to receive dividend is established.

Underwriting fees

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortised over the period of the service (deferred income).

2.17 Special commission income

Income from margin financing

Income from margin financing facilities is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the customer.

Income from murabaha financing

Income from murabaha is received upfront and amortised through the life of the Murabaha (deferred income) on effective commission rate basis.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

Income from deposits

Income from deposits is recognised on an accrual basis based on effective commission rate method.

2 Summary of significant accounting policies (continued)

2.18 Expenses

Marketing expenses are those which specifically relate to promotion and advertising. All other expenses, other than employees' costs, financial charges and expenses allocated by Banque Saudi Fransi are classified as 'other general and administrative expenses'.

2.19 Finance cost

Expenses from short-term borrowing are recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the Bank.

2.20 Leases

Right of use asset ("RoU") / lease liabilities

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets

The Company applies cost model and measures the right of use asset at cost;

a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, at the commencement date, the RoU asset would equate to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. they need to be added to the RoU asset value.

Lease liability

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

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

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.

2.21 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the period-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.22 Contingent assets and liabilities

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

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Cash and bank balances

	As of December 31, 2020	As of December 31, 2019
Cash in hand	**10,000**	10,000
Cash at bank - current accounts (Note 3.1)	**995,069,282**	1,382,506,513
	995,079,282	1,382,516,513

3.1 This represents account maintained with the Bank. SAR denominated balances earn special commission income which is linked to Saudi Inter Bank Offer Rate (SIBOR + agreed spread).

4 Margin / murabaha financing

The Company extends margin / murabaha financing facilities to its customers to invest in the Saudi Stock Exchange, international stock exchanges and investment funds. These facilities are extended up to a maximum period of 2 years and bear fixed / floating special commission rates based on SIBOR plus margin except for murabaha facilities which are at fixed rates.

During the year, certain Directors of the Company and their affiliates were granted margin-financing facilities with authorized limits aggregating to Saudi Riyals 355.8 million (2019: Saudi Riyals 83.6 million). Saudi Riyals 23.4 million was outstanding against these facilities as at year-end (2019: Saudi Riyals 11.7 million). Also see Note 16.

5 Fair value through other comprehensive income (FVOCI)

	As of December 31, 2020	As of December 31, 2019
Investments held at FVOCI (see Note 5.1)	**25,000**	25,000

5.1 This represents investment in Sakan Company for Real Estate Finance (an associated company - related party) which is an unquoted company and is stated at cost. The impact of fair valuation is immaterial.

The credit quality of investments is disclosed in Note 17.2.

(All amounts in Saudi Riyals unless otherwise stated)

6 Prepayments and other receivables – net

	Note	As of December 31, 2020	As of December 31, 2019
Receivable from customers and third party funds		**16,422,761**	20,184,788
Receivable from Company managed mutual funds	6.1	**5,168,954**	8,859,984
Insurance receivables		**3,620,235**	3,620,235
Prepayments		**3,342,225**	3,396,139
Collateral deposits		**1,250,000**	-
Advances to employees		-	29,234
Other receivables		**1,968,178**	3,154,781
Total prepayments and other receivables – gross		**31,772,353**	39,245,161
Allowance for ECL on doubtful receivables:			
- Receivables from customers		**(1,477,857)**	(1,615,483)
- Insurance receivables		**(3,620,235)**	(3,620,235)
- Other receivables		-	(66,152)
	6.2	**(5,098,092)**	(5,301,870)
Prepayments and other receivables – net		**26,674,261**	33,943,291

6.1 This represents amounts receivable from the managed mutual funds (related parties) against management fee and expenses paid on their behalf.

6.2 Movement in allowance for ECL on doubtful receivables is as follows:

	Note	As of December 31, 2020	As of December 31, 2019
Balance at the beginning of the year		**(5,301,870)**	(4,910,669)
Charge for the year	17.2	**(5,242,177)**	(391,201)
Write-offs		**5,445,955**	-
Closing balance at the end of the year		**(5,098,092)**	(5,301,870)

7 Loans to employees - net

The Company has established an employee housing loan program that offers eligible employees, an opportunity to buy or construct residential units. These loans are repayable by the employees over a period of up to 25 years.

	Note	As of December 31, 2020	As of December 31, 2019
Loans to employees - current portion		**1,384,804**	1,293,735
Loans to employees - non-current portion		**16,099,721**	16,352,954
	7.1 & 17.2.1	**17,484,525**	17,646,689

7.1 This balance is net of ECL amounting to Saudi Riyals 109,790 (2019: Saudi Riyals 117,290).

(All amounts in Saudi Riyals unless otherwise stated)

8 Property and equipment

2020	Leasehold improvements	Furniture and office equipment	Motor vehicles	Capital work-in-progress	Total
Cost					
As at January 1, 2020	14,384,004	17,814,914	553,360	120,644	32,872,922
Additions during the year	34,648	413,974	-	1,919,826	2,368,448
Transfers from CWIP	198,911	1,438,250	-	(1,637,161)	-
As at December 31, 2020	14,617,563	19,667,138	553,360	403,309	35,241,370
Accumulated depreciation					
As at January 1, 2020	12,691,789	14,927,247	553,360	-	28,172,396
Charge for the year (Note 15)	867,437	1,154,187	-	-	2,021,624
As at December 31, 2020	13,559,226	16,081,434	553,360	-	30,194,020
Net book value					
At December 31, 2020	1,058,337	3,585,704	-	403,309	5,047,350

2019	Leasehold improvements	Furniture and office equipment	Motor vehicles	Capital work-in-progress	Total
Cost					
As at January 1, 2019	14,253,325	17,105,051	553,360	182,271	32,094,007
Additions during the year	70,829	587,140	-	691,287	1,349,256
Transfers from CWIP	59,850	122,723	-	(182,573)	-
Write-offs	-	-	-	(570,341)	(570,341)
As at December 31, 2019	14,384,004	17,814,914	553,360	120,644	32,872,922
Accumulated depreciation					
As at January 1, 2019	11,748,730	13,822,327	483,702	-	26,054,759
Charge for the year (note 15)	943,059	1,104,920	69,658	-	2,117,637
As at December 31, 2019	12,691,789	14,927,247	553,360	-	28,172,396
Net book value					
At December 31, 2019	1,692,215	2,887,667	-	120,644	4,700,526

Capital work-in-progress ("CWIP") includes advances given to suppliers for purchase of property and equipment and construction of certain leasehold improvements.

(All amounts in Saudi Riyals unless otherwise stated)

9 Intangible assets

2020	**Softwares**	**Capital work-in-progress**	**Total**
Cost			
As at January 1, 2020	**26,528,397**	**9,472,308**	**36,000,705**
Additions during the year	**-**	**9,278,185**	**9,278,185**
Transfers from CWIP	**3,402,798**	**(3,402,798)**	**-**
As at December 31, 2020	**29,931,195**	**15,347,695**	**45,278,890**
Accumulated amortisation			
As at January 1, 2020	**25,504,142**	**-**	**25,504,142**
Charge for the year (note 15)	**1,102,965**	**-**	**1,102,965**
As at December 31, 2020	**26,607,107**	**-**	**26,607,107**
Net book value			
At December 31, 2020	**3,324,088**	**15,347,695**	**18,671,783**

2019	**Softwares**	**Capital work-in-progress**	**Total**
Cost			
As at January 1, 2019	25,743,323	3,489,713	29,233,036
Additions during the year	149,366	6,618,303	6,767,669
Transfers from CWIP	635,708	(635,708)	-
As at December 31, 2019	26,528,397	9,472,308	36,000,705
Accumulated amortisation			
As at January 1, 2019	24,007,658	-	24,007,658
Charge for the year (note 15)	1,496,484	-	1,496,484
As at December 31, 2019	25,504,142	-	25,504,142
Net book value			
At December 31, 2019	1,024,255	9,472,308	10,496,563

Intangibles represent cost of various softwares used by the Company for the purpose of accounting and record keeping of the various revenue streams that encompass the Company's business activities.

(All amounts in Saudi Riyals unless otherwise stated)

10 Short-term borrowings

The Company has obtained overdraft facilities from the Bank in order to finance its lending book including margin / murabaha facilities extended to customers as follows:

As of December 31, 2020

S. No	Currency	Facility limit	Outstanding balance Saudi Riyals	Rate of commission
1	Saudi Riyals	**2,937,500,000**	**883,074,059**	Three months average SIBOR + agreed spread
2	US Dollars	**150,000,000**	**370,570,008**	Three months average LIBOR + agreed spread
			1,253,644,067	

As of December 31, 2019

S. No	Currency	Facility limit	Saudi Riyals	Rate of commission
1	Saudi Riyals	3,937,500,000	1,210,692,865	Three months average SIBOR + agreed spread
2	US Dollars	150,000,000	183,297,428	Three months average LIBOR + agreed spread
			1,393,990,293	

As at December 31, 2020, the special commission expense payable is Saudi Riyals 0.934 million (2019: Saudi Riyals 2.524 million).

11 Accrued and other liabilities

	Note	As of December 31, 2020	As of December 31, 2019
Accrued expenses	11.1	**56,250,172**	53,447,919
Accounts payable	11.2	**5,397,938**	2,656,155
Total		**61,648,110**	56,104,074

11.1 This includes an amount of Saudi Riyals 0.809 million (2019: Saudi Riyals 0.824 million) due on account of GOSI (an associated company - related party) contributions made by the Company.

11.2 This includes an amount of Saudi Riyals 0.02 million (2019: Saudi Riyals 0.04 million) payable to Allianz Saudi Fransi on account of savings plan fee.

(All amounts in Saudi Riyals unless otherwise stated)

12 Zakat and income taxes

	Note	As of December 31, 2020	As of December 31, 2019
Zakat	12.1 & 12.2	**25,175,380**	33,858,222
Income tax	12.1 & 12.3	**4,645,535**	3,506,147
Total		**29,820,915**	37,364,369

The Company maintains a provision of Saudi Riyals 29.82 million (2019: Saudi Riyals 37.36 million) for zakat and income tax as of December 31, 2020 which includes provision for the current period amounting to Saudi Riyals 28.85 million (2019: Saudi Riyals 35.79 million) and reversal/provision from prior year amounting to Saudi Riyals 0.428 million (2019: Saudi Riyals 0.561 million) recorded in current year. Zakat and income tax have been calculated in accordance with the Saudi Arabian Zakat and Income Tax Regulations and charged to the statement of income.

12.1 Components of zakat base

The significant components of the zakat base under the Saudi Arabian Zakat and Income Tax Regulations principally comprised of shareholder's equity, provisions at the beginning of the year, adjusted net income, less deductions for the net book value of property and equipment.

	As of December 31, 2020	As of December 31, 2019
Share capital	**500,000,000**	500,000,000
Provisions	**49,320,370**	70,904,365
Statutory reserve, at the beginning of the year	**121,559,538**	113,848,623
Re-measurements reserve of employees' EOSBs	**738,455**	-
Retained earnings, at the beginning of the year	**776,594,979**	708,398,727
Dividends paid	**(500,000,000)**	-
Property, equipment and intangible assets, net	**(18,477,535)**	(47,714,210)
Loans to employees - net	-	17,639,120
Insurance receivable	-	(3,620,235)
	929,735,807	1,359,456,390
Adjusted net income for the year (a)	**164,112,500**	115,419,111
Approximate zakat base	**1,093,848,307**	1,474,875,501
Saudi shareholders' share of zakat base (b)	**808,767,881**	1,274,125,752

12.2 Movement in provision for zakat

The movement in the provision for zakat is as follows:

	As of December 31, 2020	As of December 31, 2019
Balance at the beginning of the year	**33,858,222**	28,941,217
Provision - for current year	**24,575,380**	32,658,224
Provision - for prior years	-	600,000
Provision reversal – for prior years	**(493,392)**	(91,789)
	24,081,988	33,166,435
Payments	**(32,764,830)**	(28,249,430)
Balance at the end of the year	**25,175,380**	33,858,222

(All amounts in Saudi Riyals unless otherwise stated)

12 Zakat and income taxes (continued)

Zakat is payable at the rate of 2.5 percent calculated on higher of adjusted net income (a) and approximate zakat base (b) attributable to Saudi shareholders of the Company. For the year ended December 31, 2020, the zakat base amounted to Saudi Riyals 809 million (2019: Saudi Riyals 1,274 million) which is higher than the adjusted net income Saudi Riyals 164.112 million (2019: Saudi Riyals 115.419 million) and accordingly zakat provision is calculated on zakat base.

12.3 Movement in provision for income tax

The movement in the provision for income tax based on non-Saudi shareholding of 13.01% (2019: 13.61%) is as follows:

	As of December 31, 2020	As of December 31, 2019
Balance at the beginning of the year	3,506,147	3,469,006
Provision - for current year	4,270,535	3,131,145
Provision – for prior years	-	375,000
Additional provision/(reversal) – for prior years	65,227	(322,233)
	4,335,762	3,183,912
Payments	(836,295)	-
Advance payment utilized	(2,360,079)	(3,146,771)
Balance at the end of the year	4,645,535	3,506,147

Income tax is calculated at the rate of 20% adjusted net income for the year attributable to non-Saudi shareholding.

12.4 Status of final assessments

The Company has filed its zakat and income tax declarations for the years from 2007 to 2019. The GAZT finalized the assessments for the years from 2007 to 2012 with an additional zakat and income tax liability of Saudi Riyals 23.4 million. The Company has filed an appeal against these assessments with the Appellate Committee for Zakat and Tax Appeals and it is pending for hearing. The zakat and income tax declaration of the Company for the year ended December 31, 2020 will be due for filing by April 30, 2021.

With respect to CAAM Saudi Fransi (the "Merged Company"), the Company has received an assessment relating to returns filed for period from 2007 to 2010 with an additional zakat and income tax liability of Saudi Riyals 3.6 million. The Company had filed an appeal against this assessment with Preliminary Zakat and Tax Appeal Committee ("PZTAC") which issued its decision by reducing additional zakat and income tax liability to Saudi Riyals 1.3 million. The Company has filed an appeal against this revised assessment with Appellate Committee for Zakat and Tax Appeals which is pending for hearing. The Bank has issued a bank guarantee in respect of appealed amount of Saudi Riyals 1.3 million on behalf of the Company in favour of GAZT.

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations

13.1 Employees' end of service benefits ("EOSBs") and ex-gratia benefits

Employees' end of service benefits ("EOSBs")

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due (i.e. upon termination of employment, resignation or retirement).

Ex-gratia benefits

Ex-gratia benefits pertain to the other long-term benefits for those employees who reached retirement age. The normal retirement age is 58 for males and 53 for females. The Company allows late retirement up until 63 years.

The amounts recognised in the statement of financial position and the movements in the EOSB obligation over the year are as follows:

	For the year ended December 31, 2020		
	End of service benefits	**Ex-gratia benefits**	**Total**
Balance at the beginning of the year	**39,487,808**	**1,435,545**	**40,923,353**
Current service cost	**4,596,987**	**175,482**	**4,772,469**
Past service cost	**-**	**18,833**	**18,833**
Interest expense	**1,303,531**	**58,836**	**1,362,367**
	5,900,518	**253,151**	**6,153,669**
Benefits transferred from BSF	**445,015**	**-**	**445,015**
Total amount recognized in statement of income	**6,345,533**	**253,151**	**6,598,684**
Remeasurements due to actuarial gains	**(777,239)**	**(50,018)**	**(827,257)**
Benefits paid	**(3,311,101)**	**(102,200)**	**(3,413,301)**
Balance at the end of the year	**41,745,001**	**1,536,478**	**43,281,479**

	For the year ended December 31, 2019		
	End of service benefits	**Ex-gratia benefits**	**Total**
Balance at the beginning of the year	35,221,000	1,320,000	36,541,000
Current service cost	4,576,166	170,125	4,746,291
Interest expense	1,619,858	63,845	1,683,703
Total amount recognized in statement of income	6,196,024	233,970	6,429,994
Remeasurements due to actuarial gains	(664,030)	(74,425)	(738,455)
Benefits paid	(1,265,186)	(44,000)	(1,309,186)
Balance at the end of the year	39,487,808	1,435,545	40,923,353

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.2 Long-term incentive plan

The Company operates a Long-Term Incentive Plan ("LTIP"). This scheme is available only to selected employees in any given eligible year. The benefit of each eligible year vests over the three years from the end of each respective eligible year. The "award rate" for each LTIP is 17% of the scheme salary at the end of the vesting period. The benefit is payable provided that SFC achieves a consecutive net income growth for all three financial years within the vesting period. As at 31 December 2020, the maturity of the provision is shown in the table below:

Long-term incentive plan:	**December 31, 2020**	**December 31, 2019**
Current	**3,528,626**	3,462,067
Non-current	4,290,613	-
Balance at the end of the year	7,819,239	3,462,067

As of December 31, 2020, the Company recognized re-measurement due to actuarial loss amounting to SAR 163,808 (2019: Nil) on LTIP. The total re-measurement gain on employees' benefit obligation is presented in the table below:

Re-measurement gains/(losses) from:	**Note**	**December 31, 2020**	**December 31, 2019**
- Employees' end of service benefits	13.1	**827,257**	738,455
- Long-term incentive plan		**(163,808)**	-
Re-measurement gain on employees' benefit obligations, net		**663,449**	738,455

The total provision for employees' benefit obligations are as follows:

	Note	**December 31, 2020**	**December 31, 2019**
Current:			
Long-term incentive plan		**3,528,626**	3,462,067
Non-current:			
- Employees' end of service benefits	13.1	**43,281,479**	40,923,353
- Long-term incentive plan		4,290,613	-
Total non-current employees' benefit obligations		47,572,092	40,923,353

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.3 Key actuarial assumptions

	As at December 31, 2020	As at December 31, 2019
End of service benefits:		
Discount rate	**3.20%**	3.45%
Salary growth rate	**1.50%**	1.75%
Duration of liability (in years)	**9.4**	9.5
Ex-gratia benefits:		
Discount rate	**3.60%**	4.40%
Salary growth rate	**1.50%**	1.75%
Long-term incentive plan:		
Discount rate	**2.00%**	3.50%
Salary growth rate	**1.50%**	1.75%

13.4 Sensitivity analysis for actuarial assumptions

December 31, 2020	Change in assumption		Impact on employees' benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	(3,157,649)	3,601,921
Salary growth rate	+ 100 bp	- 100 bp	3,628,225	(3,237,007)
Mortality	+ 20%	- 20%	(4,576)	4,590
Attrition rate	+ 20%	- 20%	(90,551)	156,633
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	(144,224)	167,235
Salary growth rate	+ 100 bp	- 100 bp	169,170	(148,349)
Mortality	+ 20%	- 20%	(7,087)	7,053
Attrition rate	+ 20%	- 20%	(295,311)	240,782
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	(3,820,587)	3,922,658
Salary growth rate	+ 100 bp	- 100 bp	3,922,556	(3,819,701)
Mortality	+ 20%	- 20%	(3,871,509)	3,870,485
Attrition rate	+ 20%	- 20%	(3,829,079)	3,912,869

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

December 31, 2019	Change in assumption		Impact on employees' benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	(2,974,887)	3,402,447
Salary growth rate	+ 100 bp	- 100 bp	3,427,268	(3,049,370)
Mortality	+ 20%	- 20%	(3,936)	3,950
Attrition rate	+ 20%	- 20%	(42,083)	107,103
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	(122,737)	142,287
Salary growth rate	+ 100 bp	- 100 bp	144,751	(126,860)
Mortality	+ 20%	- 20%	(6,167)	6,195
Attrition rate	+ 20%	- 20%	(202,030)	248,367
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	(1,030,380)	1,070,908
Salary growth rate	+ 100 bp	- 100 bp	1,070,908	(1,029,992)
Mortality	+ 20%	- 20%	(1,050,626)	1,050,074
Attrition rate	+ 20%	- 20%	(1,035,303)	1,065,407

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 (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

As at December 31, 2020, the expected cash flows over the next years valued on an undiscounted basis are shown in the table below:

End of service benefits:	**December 31, 2020**	**December 31, 2019**
1 year	**5,178,542**	4,951,693
2 to 4 years	**14,697,590**	14,389,738
5 years and above	**29,734,616**	29,687,106

Ex-gratia benefits:	**December 31, 2020**	**December 31, 2019**
1 year	**137,413**	174,115
2 to 4 years	**258,134**	299,700
5 years and above	**761,322**	833,451

Long-term incentive plan:	**December 31, 2020**	**December 31, 2019**
1 year	**3,699,517**	5,649
2 to 4 years	**7,257,390**	3,166,588
5 years and above	**-**	-

(All amounts in Saudi Riyals unless otherwise stated)

14 Contingencies and commitments

As of December 31, 2020, the Company has outstanding commitments amounting to Saudi Riyals 21.6 million (2019: Saudi Riyals 2.4 million) on account of payments for purchases of goods and services. As of December 31, 2020, the Company has approved margin / murabaha financing facility limits amounting to Saudi Riyals 2,872 million (2019: Saudi Riyals 2,967 million) to customers, out of which limits amounting to Saudi Riyals 1,519 million (2019: Saudi Riyals 1,476 million) are unutilized as of December 31, 2020.

As of December 31, 2020, the Company is subject to a litigation in the normal course of its business. The Company believes that the outcome of the pending legal case will not have a material impact on the Company's financial statements.

15 Other general and administrative expenses

		Year ended 31 December	
	Notes	**2020**	**2019**
Legal and professional fees		**40,657,844**	2,311,854
Information technology related expenses		**16,619,017**	16,344,940
Rentals and premises related expenses		**7,850,298**	7,898,513
Travel and entertainment expenses		**7,645,754**	5,761,004
Depreciation	8	**2,021,624**	2,117,637
Remuneration of Board of Directors	16.1	**1,842,136**	1,478,630
Amortization	9	**1,102,965**	1,496,484
Other		**2,333,665**	2,824,364
Total		**80,073,303**	40,233,426

16 Related party matters

16.1 Related party transactions

In the ordinary course of its activities, the Company transacts business with related parties. In the opinion of the management and the Board of Directors, the related party transactions are carried out on an arm's length basis.

(All amounts in Saudi Riyals unless otherwise stated)

16 Related party matters (continued)

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	Year ended 31 December	
	2020	**2019**
Banque Saudi Fransi (shareholder):		
Income:		
Custody fee earned	360,000	100,000
Underwriting commission earned	20,000,000	-
Special commission income on deposits	15,745,476	33,622,031
Income from brokerage services	4,857,557	50,825
Income under Service Level Agreements ("SLA") - Note 16.1.1	1,704,456	1,784,547
Expenses:		
Expenses incurred under Service Level Agreements ("SLA") - Note 16.1.1	19,121,750	18,828,343
Commodity traders fees paid	825,548	332,924
Expenses incurred on behalf of the Company	8,579,402	4,928,079
Interest expense on short-term borrowing	15,510,946	32,916,796
Dividends paid during the year	500,000,000	-
Allianz Saudi Fransi (associate):		
Management fee	275,593	262,469
Contribution and fees paid on account of staff saving plan	1,442,548	1,358,678
Directors, other shareholders and their affiliates:		
Income:		
Commission income on sukuk agency and payment administration with Saudi Telecom Company (STC)	-	220,000
Subscription fee earned	538,824	1,194,649
Special commission income on margin financing / murabaha facilities extended	191,769	160,558
Custody fee earned	200,000	200,000
Income from brokerage services	3,437,360	648,507
Expenses:		
Company's contribution paid to General Organization for Social Insurance (GOSI)	5,461,567	5,555,714
Board of Directors related expenses (Note 15)	1,842,136	1,478,630
Mutual funds:		
Income	-	100,000

(All amounts in Saudi Riyals unless otherwise stated)

16 Related party matters (continued)

The total amount of salaries and employee related benefits to key management personnel are as follows:

	Year ended 31 December	
	2020	**2019**
Short term benefit	**28,619,409**	18,132,157
Long term benefit	**1,447,848**	1,947,849
Long term incentive plan	**3,727,123**	3,318,448
Employees' EOSBs	**6,162,867**	2,778,007

16.1.1 The Company has entered into Service Level Agreements ("SLA") with the Bank for providing various services. Significant outsourced services include information technology, system security, premises and certain other services.

16.2 Related party balances

Significant year-end balances arising from transactions with related parties are included in the statement of financial position under various financial statement line items and respective notes.

17 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value commission rate risk), credit risk, liquidity risk and operational risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the statement of financial position include cash and bank balances, investments held at FVOCI, receivables against margin / murabaha financing, other receivables, loans to employees - net, short-term borrowings, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management responsibilities are held as follows:

Business Unit Management: Primarily responsible for risk management. The process of assessing, evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business. This process includes implementing the Company's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Company.

Risk Function: Primarily accountable for risk management reporting, providing oversight and independent reporting to management and the Board.

Internal Audit Function: Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Company's Audit Committee.

Compliance and AML Function: Responsible for monitoring and assessment of business compliance with CMA Prudential Rules, including Anti Money Laundering & Counter terrorist financing regulations.

17 Financial instruments and risk management (continued)

17.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices / commission rates.

a) Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Transactions in other foreign currencies are not material.

b) Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than as a result of foreign currency and commission rate movements), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Exposure

The Company is not exposed to price risk since its investment held at FVOCI as at December 31, 2020 is stated at cost due to the absence of active market or other means of reliably measuring its fair value.

c) Cash flow and fair value commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

Exposure

The Company's commission rate risks arise mainly from its bank balances, margin / murabaha financing and short-term borrowings. The Company on a regular basis monitors changes in the commission rates and acts accordingly. The Company's receivables from margin financing include both fixed and floating commission rate instruments.

The Company's fixed rate receivables (all murabaha contracts and fixed rate margin financing contracts) are carried at amortised cost and therefore not subject to commission rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market commission rates.

The Company's floating rate instruments are carried at amortised cost, therefore, these do not affect the fair value of instrument but cash flows / income is affected.

Sensitivity

With 10% change in the underlying SIBOR with all the variables held constant, the income / cash flows for the year will increase / decrease as follows:

December 31, 2020	**Change in interest rate**	**Change in income / cash flows**
Bank balance	**+/- 10% change in SIBOR**	**+/- 86,583**
Margin financing (floating rate)	**+/- 10% change in SIBOR**	**+/- 80,607**
Short term borrowing	**+/- 10% change in SIBOR**	**+/- 93,360**

December 31, 2019	**Change in interest rate**	**Change in income / cash flows**
Bank balance	+/- 10% change in SIBOR	+/- 210,674
Margin financing (floating rate)	+/- 10% change in SIBOR	+/- 32,345
Short term borrowing	+/- 10% change in SIBOR	+/- 252,376

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.1 Market risk (continued)

The table below summarizes the Company's exposure to commission rate risks. The amounts are classified on the earlier date of the contractual maturity or the repricing date.

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2020					
Assets					
Cash and bank balances	995,069,282	-	-	10,000	995,079,282
Margin / murabaha financing	217,238,078	1,136,260,582	-	-	1,353,498,660
Investments held at fair value through other comprehensive income (FVOCI)	-	-	-	25,000	25,000
Other receivables	-	-	-	23,332,036	23,332,036
Loans to employees - net	344,257	1,040,547	16,099,721	-	17,484,525
Total financial assets	1,212,651,617	1,137,301,129	16,099,721	23,367,036	2,389,419,503
Short-term borrowings	217,383,485	1,036,260,582	-	-	1,253,644,067
Accrued and other liabilities	-	-	-	61,648,110	61,648,110
Total financial liabilities	217,383,485	1,036,260,582	-	61,648,110	1,315,292,177
Net commission rate sensitivity gap	995,268,132	101,040,547	16,099,721	(38,281,074)	1,074,127,326

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.1 Market risk (continued)

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2019					
Assets					
Cash and bank balances	1,382,506,513	-	-	10,000	1,382,516,513
Margin / murabaha financing	350,622,608	1,135,584,436	5,582,629	-	1,491,789,673
Investments held at fair value through other comprehensive income (FVOCI)	-	-	-	25,000	25,000
Other receivables	-	-	-	30,547,152	30,547,152
Loans to employees - net	321,618	972,117	16,352,954	-	17,646,689
Total financial assets	1,733,450,739	1,136,556,553	21,935,583	30,582,152	2,922,525,027
Short-term borrowings	352,823,229	1,041,167,064	-	-	1,393,990,293
Accrued and other liabilities	-	-	-	56,104,074	56,104,074
Total financial liabilities	352,823,229	1,041,167,064	-	56,104,074	1,450,094,367
Net commission rate sensitivity gap	1,380,627,510	95,389,489	21,935,583	(25,521,922)	1,472,430,660

* The short-term borrowings are payable to the Bank (the "Parent Company') and are renewed annually.

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

Exposure

Cash and cash equivalents are deposited with the Bank, which has sound credit ratings and is a related party. The accrued income mainly relates to amounts due on account of asset management services and is settled within a short period. The receivables relate to Murabaha 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. The maximum credit exposure equals the carrying amount of the placements and other assets.

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.2 Credit risk (continued)

17.2.1 Credit quality analysis

The following table sets out the credit analysis for financial assets:

As at December 31, 2020	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
Financial assets				
Cash and bank balances	**995,069,282**	**-**	**10,000**	**995,079,282**
Margin / murabaha financing	**-**	**-**	**1,353,498,660**	**1,353,498,660**
Other receivables	**-**	**-**	**23,332,036**	**23,332,036**
Loans to employees - net	**-**	**-**	**17,484,525**	**17,484,525**
Total	**995,069,282**	**-**	**1,394,325,221**	**2,389,394,503**

As at December 31, 2019	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
Financial assets				
Cash and bank balances	1,382,506,513	-	10,000	1,382,516,513
Margin / murabaha financing	-	-	1,491,789,673	1,491,789,673
Other receivables	-	-	30,547,152	30,547,152
Loans to employees - net	-	-	17,646,689	17,646,689
Total	1,382,506,513	-	1,539,993,514	2,922,500,027

Loss allowance on loans to employees

	December 31, 2020			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Carrying amount	**17,594,315**	**-**	**-**	**17,594,315**
Expected credit loss	**(109,790)**	**-**	**-**	**(109,790)**
	17,484,525	**-**	**-**	**17,484,525**

	December 31, 2019			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Carrying amount	17,763,979	-	-	17,763,979
Expected credit loss	(117,290)	-	-	(117,290)
	17,646,689	-	-	17,646,689

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.2 Credit risk (continued)

17.2.1 Credit quality analysis (continued)

At December 31, the credit risk exposure for receivable against margin / murabaha financing by geographic region is as follows:

	2020	2019
Saudi Arabia	**1,353,498,660**	1,491,789,673

At December 31, the credit risk exposure for receivables against margin lending by type of customer is as follows:

	2020	2019
Corporate customers	**42,809,992**	157,865,296
Retail customers	**1,310,688,668**	1,333,924,377
	1,353,498,660	1,491,789,673

During the year, the following losses were recognized in statement of income in relation to impaired financial assets:

	Note	2020	2019
ECL for other receivables	6.2	**(5,242,177)**	(391,201)
ECL for loans to employees		**7,500**	7,569
		(5,234,677)	(383,632)

17.3 Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

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

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.3 Liquidity risk (continued)

The following analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, unless material, as the impact of discounting is immaterial.

2020	**Less than 1 year**	**Total**
Short-term borrowings	**1,265,728,142**	**1,265,728,142**
Accrued and other liabilities	**61,648,110**	**61,648,110**
	1,327,376,252	**1,327,376,252**
2019		
Short-term borrowings	1,423,888,214	1,423,888,214
Accrued and other liabilities	56,104,074	56,104,074
	1,479,992,288	1,479,992,288

For the presentation of liquidity gap between financial assets and financial liabilities for the year ended December 31, 2020 and 2019, please see Note 17.1.

17.4 Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Group's resources by protecting the assets of the Company and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

18 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy working, refer to Note 18.1.

(All amounts in Saudi Riyals unless otherwise stated)

18 Capital risk management (continued)

18.1 Capital Adequacy

The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the "Rules"), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as of December 31, 2020.

	As at December 31, 2020	As at December 31, 2019
Capital Base:		
Tier 1 Capital	**1,021,084**	1,397,869
Tier 2 Capital	**-**	-
Total Capital Base	**1,021,084**	1,397,869
Minimum Capital Requirement:		
Market Risk	**286**	169
Credit Risk	**383,571**	441,752
Operational Risk	**57,126**	45,054
Total Minimum Capital Required	**440,983**	486,975
Capital Adequacy Ratio:		
Tier-I – capital ratio	**2.32**	2.87
Tier-II – capital ratio	**-**	-
Surplus / (deficit) in Capital	**580,101**	910,894

a) The above information has been extracted from the Company's annual Capital Adequacy Model for the year ended December 31, 2020 to be submitted to CMA.

b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit & Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.

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

d) 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.

19 Fair value estimation

As at December 31, 2020 and 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

(All amounts in Saudi Riyals unless otherwise stated)

19 Fair value estimation (continued)

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The table below presents the financial assets and financial liabilities at their fair values based on the fair value hierarchy.

At December 31, 2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and bank balances	995,079,282	-	-	995,079,282	995,079,282
Margin / murabaha financing	1,353,498,660	-	-	1,262,496,694	1,296,496,694
Other receivables	23,332,036	-	-	23,332,036	23,332,036
Loans to employees - net	17,484,525	-	-	17,484,525	17,484,525
Financial assets measured at fair value					
Investments held at FVOCI	25,000	-	-	25,000	25,000
	2,389,419,503	-	-	2,298,417,537	2,298,417,537
Financial liabilities not measured at fair value					
Short-term borrowings	1,253,644,067	-	-	1,265,728,142	1,265,728,142
Accrued and other liabilities	61,648,110	-	-	61,648,110	61,648,110
	1,315,292,177	-	-	1,327,376,252	1,327,376,252

(All amounts in Saudi Riyals unless otherwise stated)

19 Fair value estimation (continued)

At December 31, 2019	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and bank balances	1,382,516,513	-	-	1,382,516,513	1,382,516,513
Margin / murabaha financing	1,491,789,673	-	-	1,437,158,242	1,437,158,242
Other receivables	30,547,152	-	-	30,547,152	30,547,152
Loans to employees - net	17,646,689	-	-	17,646,689	17,646,689
Financial assets measured at fair value					
Investments held at FVOCI	25,000	-	-	25,000	25,000
	2,922,525,027	-	-	2,867,893,596	2,867,893,596
Financial liabilities not measured at fair value					
Short-term borrowings	1,393,990,293	-	-	1,423,888,214	1,423,888,214
Accrued and other liabilities	56,104,074	-	-	56,104,074	56,104,074
	1,450,094,367	-	-	1,479,992,288	1,479,992,288

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2020 and 2019, there were no transfers into or out of Level 3 fair value measurements.

The fair values of financial position financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and bank balances, other receivables, loan to employees and accrued and other liabilities which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Margin / murabaha financing classified as level 3 has been valued using expected cash flows discounted at Company's weighted average cost of capital.

Investments classified in level 3 are carried at cost as it approximates fair value.

Short-term borrowings classified as level 3 has been valued based on the expected cashflows discounted using the market rate as at December 31, 2020.

(All amounts in Saudi Riyals unless otherwise stated)

20 Financial instruments by category

All financial assets and financial liabilities for the years ended December 31, 2020 and 2019, are classified under amortised cost category except for investment held at FVOCI, which is classified and measured at fair value.

	Measurement category	As at December 31, 2020	As at December 31, 2019
Financial assets			
Cash and bank balances	Amortised cost	**995,079,282**	1,382,516,513
Margin / murabaha financing	Amortised cost	**1,353,498,660**	1,491,789,673
Equity investments	Investments held at FVOCI	**25,000**	25,000
Other receivables	Amortised cost	**23,332,036**	30,547,152
Loans to employees - net	Amortised cost	**17,484,525**	17,646,689
Total financial assets		**2,389,419,503**	2,922,525,027
Financial liabilities			
Short-term borrowings	Amortised cost	**1,253,644,067**	1,393,990,293
Accrued and other liabilities	Amortised cost	**61,648,110**	56,104,074
Total financial liabilities		**1,315,292,177**	1,450,094,367

21 Assets held under fiduciary capacity

As of December 31, 2020, cash held under fiduciary capacity amounting to Saudi Riyals 7.1 billion (2019: Saudi Riyals 4.5 billion) was kept in a pool account with the Bank. These amounts were kept with the Company by its customers for the purpose of investment in the local, international equity markets and investment funds.

Further, as of December 31, 2020, shares amounting to Saudi Riyals 78 million (2019: Saudi Riyals 78 million) were kept by the Company on behalf of the customers under equity swap arrangements.

The mutual funds' assets related to the funds' unit holders managed by the Company amounted to Saudi Riyals 5.3 Billion as of December 31, 2020 (2019: Saudi Riyals 5.0 billion).

22 Corresponding figures

For the purpose of better presentation, reclassifications have been made in these financial statements. The details of the reclassifications are as follows:

No.	Statement	Reclassified from	Reclassified to	Amount
1	Statement of financial position	Accrued and other liabilities	Employee benefit obligations - current	3,462,067
2	Statement of financial position	Capital work-in-progress – Property and equipment	Capital work-in-progress – Intangible assets	9,472,308

The above reclassification did not have financial impact on the statements of income and cash flows for the year ended December 31, 2019.

23 Impact of Covid-19

Late in 2019, news first emerged from China about the novel coronavirus (COVID-19). In the first few months of 2020, the virus spread globally causing disruptions to business and economic activity. The spread of the virus has had a significant negative impact on the economic activity in the world, including drop on capital markets and sharp decrease of commodity prices.

In the Kingdom of Saudi Arabia, in March 2020, the government ordered the closure of all malls, restaurants and coffee shops (except food delivery and pharmacies) and social-related places and imposed a nationwide curfew for a certain period all in a bid to stem the spread of COVID-19. The curfew was lifted in June 2020.

As at the date of the approval of these financial statements, the impact on the Company's business and results has not been significant and management believes that it will remain the case as the COVID-19 situation in the Kingdom of Saudi Arabia is progressing positively. Throughout the year 2020 and till date, the government has been taking careful measures to restrict the spread of Covid-19 to the extent possible. This included imposing lockdowns, ban on international travel, social gatherings, etc. The Company will continue to follow government policies and advice and in parallel will do the utmost to continue the Company's operations in the best and safest way possible without jeopardizing the health of its people.