Societe Generale Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2020

INDEX | **PAGE**

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com/mena

Registration No. 45/11/323
C.R. No. 1010383821

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SOCIETE GENERALE SAUDI ARABIA
(A Saudi Closed Joint Stock Company)

Opinion
We have audited the financial statements of Societe Generale Saudi Arabia (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, 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 endorsed by the Saudi Organization for Certified Public Accountants.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Building a better working world

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SOCIETE GENERALE SAUDI ARABIA
(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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

Building a better
working world

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SOCIETE GENERALE SAUDI ARABIA
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 15 Sha'aban 1442H
(28 March 2021)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***2020 SR***	*2019 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	**174,536**	356,044
Right of use assets	5	**333,293**	666,586
Deferred tax assets	7.3	**441,290**	357,852
TOTAL NON-CURRENT ASSETS		**949,119**	1,380,482
CURRENT ASSETS			
Due from a related party	8	**8,741,087**	3,572,012
Prepayments and other current receivables	9	**590,711**	888,954
Time deposit	10	**48,124,604**	47,712,290
Cash and bank balances	11	**6,021,481**	6,972,236
TOTAL CURRENT ASSETS		**63,477,883**	59,145,492
TOTAL ASSETS		**64,427,002**	60,525,974
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	**50,000,000**	50,000,000
Statutory reserve		**1,342,342**	1,215,559
Retained earnings		**6,095,078**	4,954,033
Other reserves		**(103,835)**	19,967
TOTAL SHAREHOLDERS' EQUITY		**57,333,585**	56,189,559
LIABILITIES			
NON-CURRENT LIABILITY			
Employees' end of service benefits	13	**1,524,950**	1,070,026
CURRENT LIABILITIES			
Lease liability	5	-	348,185
Income tax payable	7.3	**430,529**	462,880
Due to a related party	8	**1,970,269**	-
Accruals and other payables	14	**3,167,669**	2,455,324
TOTAL CURRENT LIABILITIES		**5,568,467**	3,266,389
TOTAL LIABILITIES		**7,093,417**	4,336,415
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**64,427,002**	60,525,974

The attached notes 1 to 21 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	***2020*** ***SR***	*2019* *SR*
Revenue	15	**13,075,378**	12,284,179
General and administrative expenses	16	**(11,886,707)**	(11,167,436)
INCOME FROM MAIN OPERATIONS		**1,188,671**	1,116,743
Special commission income		**427,714**	747,749
PROFIT BEFORE TAX		**1,616,385**	1,864,492
Current income tax charge	7.1	**(431,995)**	(415,284)
Deferred tax	7.2	**83,438**	23,293
PROFIT FOR THE YEAR		**1,267,828**	1,472,501
Other comprehensive (loss) gain that will not be reclassified subsequently to profit or loss:			
Remeasurement (loss) gain on employees' end of service benefits	13	**(123,802)**	68,826
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,144,026**	1,541,327

The attached notes 1 to 21 form an integral part of these financial statements.

Societe Generale Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020

	Share Capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Other reserves SR*	*Total SR*
Balance at 1 January 2019	50,000,000	1,065,667	3,631,424	(48,859)	54,648,232
Comprehensive income:					
Profit for the year	-	-	1,472,501	-	1,472,501
Other comprehensive gain for the year	-	-	-	68,826	68,826
Total comprehensive income for the year	-	-	1,472,501	68,826	1,541,327
Transfer to statutory reserve	-	149,892	(149,892)	-	-
Balance at 31 December 2019	50,000,000	1,215,559	4,954,033	19,967	56,189,559
Comprehensive income:					
Profit for the year	-	-	1,267,828	-	1,267,828
Other comprehensive loss for the year	-	-	-	(123,802)	(123,802)
Total comprehensive income for the year	-	-	1,267,828	(123,802)	1,144,026
Transfer to statutory reserve	-	126,783	(126,783)	-	-
Balance at 31 December 2020	**50,000,000**	**1,342,342**	**6,095,078**	**(103,835)**	**57,333,585**

The attached notes 1 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	***2020*** ***SR***	*2019* *SR*
OPERATING ACTIVITIES			
Profit before income tax		**1,616,385**	1,864,492
Adjustments for:			
Provision for employees' end of service benefits	13	**331,122**	241,199
Depreciation and amortisation	4 & 6	**181,508**	306,200
Depreciation of right of use assets	5	**333,293**	333,293
Accretion of interest on lease	5	**11,575**	37,306
Special commission income		**(427,714)**	(747,749)
		2,046,169	2,034,741
Changes in operating assets and liabilities:			
Due from a related party		**(5,169,075)**	2,242,679
Prepayments and other current receivables		**298,243**	574,945
Due to a related party		**1,970,269**	-
Accruals and other payables		**712,345**	(5,231,860)
Cash used in operations		**(142,049)**	(379,495)
Income tax paid	7.3	**(464,346)**	(609,847)
Net cash used in operating activities		**(606,395)**	(989,342)
INVESTING ACTIVITIES			
Purchase of property and equipment	4	**-**	(43,536)
Special commission income received		**427,714**	747,749
Time deposit		**(412,314)**	(1,524,430)
Net cash from (used in) investing activities		**15,400**	(820,217)
FINANCING ACTIVITY			
Payment of principal portion of lease liability	5	**(359,760)**	(344,500)
Net cash used in financing activity		**(359,760)**	(344,500)
NET DECREASE IN CASH AND BANK BALANCES		**(950,755)**	(2,154,059)
Cash and bank balances at the beginning of the year	11	**6,972,236**	9,126,295
CASH AND BANK BALANCES AT THE END OF THE YEAR	11	**6,021,481**	6,972,236

Supplementary information

Addition to right of use assets	5	**-**	999,879
Addition to lease liability	5	**-**	655,379

The attached notes 1 to 21 form an integral part of these financial statements.

1 ACTIVITIES

Societe Generale Saudi Arabia Company (the "Company") is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company obtained a service investment license numbered 102030093963 dated 16 Shawwal 1430H (corresponding to 5 October 2009) from the Saudi Arabian General Investment Authority. The Company is incorporated and domiciled under commercial registration number 1010279178 dated 18 Muharram 1431H (corresponding to 4 January 2010). The Company has also obtained a license number 14182-30 dated 1 Ramadan 1430H (corresponding to 22 August 2009) from the Capital Market Authority ("CMA").

The Company is owned 96% by Societe Generale ("SG"), registered in France, and 4% by SG's subsidiaries. In 2014, the Company received approval from the CMA in respect of its application to cancel certain licensed activities. The Company is now licensed to provide advisory and arranging services.

The registered address of the Company is Abraj Al Ta'awuneya, North Tower, King Fahad Road, P.O. Box 53828, Riyadh 11593, Kingdom of Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis of accounting. The financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional currency. All financial information has been rounded off to the nearest unit, unless otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

2.2.1 Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other assets and liabilities as non-current.

Deferred tax assets/liabilities are classified as non-current assets/liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.2 Fair value measurement

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.2.3 Financial instruments

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial instruments at initial recognition.

Impairment of Financial Instruments

The Company assesses the expected credit losses associated with its assets carried at amortised cost and debt instruments carried at fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition. Accordingly, the provision for impairment of financial instruments is measured by the amount of the expected credit losses over the life of the financial instrument. If credit risk has not increased significantly since the initial recognition, 12-months expected credit losses is used to provide for the impairment provision. The Company applies a simplified approach for assessment of the provision for its receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on the lifetime ECLs at each reporting date.

Financial assets

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Financial instruments (continued)

Classification of financial assets

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

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

Derecognition of financial assets

The financial assets are derecognized from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have transferred or transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognized in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit and loss.

Derecognition of financial liabilities

The financial liabilities are derecognized when the underlying obligations are extinguished, discharged, lapsed, cancelled, expired or legally released.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

2.2.4 Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand and at banks.

2.2.5 Prepayments and other current receivables

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at nominal amounts. These are derecognized and charged to profit or loss and OCI either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

2.2.6 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 cost of replacing parts of the property and equipment if the recognition criteria are met.

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 associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Property and equipment (continued)

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 comprehensive income when the asset is derecognized.

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.

2.2.7 Leases

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

Company as a lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

i) Lease liabilities

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

ii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Low-value assets are items that do not meet the Company’s capitalisation threshold and are considered to be insignificant for the statement of financial position of the Company as a whole. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.2.8 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in statement of profit or loss and OCI within other expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.8 Impairment of non-financial assets (continued)

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against the provision account in the statement of comprehensive income.

2.2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial charge.

2.2.10 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.2.11 Employees' end of service benefits

The level of benefit provided is based on the length of service and earnings of the person entitled and computed in accordance with the rules stated as per Saudi Arabian Labour Law.

The liability for end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuations being conducted at the end of the annual reporting periods. The related liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate applied in arriving at the present value of the end of service benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits costs are categorised as follows:

i) current service cost (increase in the present value of end of service benefits obligation resulting from employee service in the current period)
ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefits liability); and
iii) remeasurement

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of comprehensive income as employee-related costs.

Remeasurement, comprising actuarial gains and losses, is recognised in full in the period in which they occur, in OCI without recycling to the profit or loss in subsequent periods. Amounts recognised in OCI are recognised immediately in retained earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.11 Employees' end of service benefits (continued)

Past service costs are recognised in profit or loss on the earlier of:

i) The date of the plan amendment or curtailment, and
ii) The date that the Company recognises related restructuring costs.

2.2.12 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its profit for the period until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

2.2.13 Revenue recognition

The Company is in the business of providing arranging and advisory services. The Company also has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of Societe Generale Paris ("SG Paris"). Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

a) Arranging services

Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

b) Advisory services

Advisory services represent the services related to financial and investment advice provided to the customers under fixed-price contracts.

Under the terms of advisory services contracts, the Company's performance obligations represent the delivery of technical advisory reports to the customers. The price for each performance obligation is allocated as per the related contracts. Revenue is recognised at a point in time when the control is transferred to the customer.

c) Service fees - Revenue from transfer pricing

The Company has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of SG Paris. The Company is providing certain services relating to assisting SG Paris to obtain all information needed on the customers concerned from the business lines and sectors, determining the scope of potential sales efforts, providing the necessary analytical support to some business lines, providing information pertaining to the customer to appropriate units, complying the group file enabling management to assess the customer's industrial strategy and formulate the action plan and defining the customers groups for purpose of commercial follow-up and pertinent analysis of global risk.

The above services are considered as one performance obligation considering the interdependence among the services and the fact that the customer (SG Paris) is considering such services as a whole and not considering each of the above services as a separate performance obligation that has to be fulfilled on its own. The service fee is charged to SG Paris at cost plus 10% of all expenses (excluding income tax and any other expenses charged by SG Paris) incurred by the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.14 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Cost to obtain a contract

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

2.2.15 Expenses

Expenses are recognised when incurred based on the accrual basis of accounting.

2.2.16 Income tax

Income tax is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of comprehensive income.

Deferred tax liabilities and assets are recognised for all temporary differences at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. 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 re-assessed 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. The deferred tax is charged to the statement of comprehensive income. Deferred tax relating to items recognised outside profit or loss are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.2.17 Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.17 Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

2.2.18 New and amended standards and interpretations

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company.

Amendments to IAS 1 and IAS 8 Definition of Material

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

C***onceptual Framework for Financial Reporting issued on 29 March 2018***

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

Amendments to IFRS 16 COVID-19 Related Rent Concessions

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

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

3.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

a) Principal versus agent considerations

SG Paris is engaged in performing arranging contracts for the Company's customers. The Company determined that it does not control the services before they are transferred to customers, and it does not have the ability to direct the use of services or obtain benefits from the services. The following factors indicate that the Company does not control the services before they are being transferred to customers.

- SG Paris is primarily responsible for fulfilling the contract;
- The Company does not have discretion in establishing prices for the services and, therefore, the benefits that the Company can receive from the services are limited; and
- The Company's consideration is in the form of a fixed commission.

3.2 USEFUL LIVES OF PROPERTY AND EQUIPMENT

The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3.3 ASSUMPTIONS FOR END OF SERVICE BENEFITS PROVISION

The calculation of the end of service benefits provision greatly depends on the employees' estimated length of service and their estimated salary at end of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Company's historical data, recent trends, and management plans and forecasts with respect to salary levels.

Life expectancy is not considered a principal actuarial assumption in measuring end of service benefits provision and therefore, possible changes in life expectancy are not expected to have a significant impact on the level of obligation, especially since only a few employees are assumed to serve until the retirement age. Moreover, changes in life expectancy will affect the estimates related to those employees only if life expectancy becomes less than retirement age and, in such cases, the impact is not expected to be significant.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

4 PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 years	Furniture and fixtures	3 to 10 years
IT (Information Technology) equipment	3 to 5 years	Vehicles	4 years

	Leasehold improvements SR	***IT equipment SR***	***Furniture and fixtures SR***	***Vehicles SR***	***Total SR***
Cost:					
At 1 January 2020	**939,367**	**1,056,244**	**523,887**	**454,300**	**2,973,798**
At 31 December 2020	**939,367**	**1,056,244**	**523,887**	**454,300**	**2,973,798**
Accumulated depreciation:					
At 1 January 2020	**732,192**	**973,967**	**502,624**	**408,971**	**2,617,754**
Charge for the year	**64,146**	**50,770**	**21,263**	**45,329**	**181,508**
At 31 December 2020	**796,338**	**1,024,737**	**523,887**	**454,300**	**2,799,262**
Net book amount:					
At 31 December 2020	**143,029**	**31,507**	**-**	**-**	**174,536**

	Leasehold improvements SR	*IT equipment SR*	*Furniture and fixtures SR*	*Vehicles SR*	*Total SR*
Cost:					
At 1 January 2019	939,367	1,012,708	523,887	454,300	2,930,262
Additions during the year	-	43,536	-	-	43,536
At 31 December 2019	939,367	1,056,244	523,887	454,300	2,973,798
Accumulated depreciation:					
At 1 January 2019	638,255	913,818	456,369	312,228	2,320,670
Charge for the year	93,937	60,149	46,255	96,743	297,084
At 31 December 2019	732,192	973,967	502,624	408,971	2,617,754
Net book amount:					
At 31 December 2019	207,175	82,277	21,263	45,329	356,044

5 RIGHT OF USE ASSETS

This account pertains to the Company's office building lease that is amortized over the lease term.

	2020	*2019*
	SR	*SR*
Cost:		
At 1 January	**999,879**	999,879
At 31 December	**999,879**	999,879
Accumulated amortisation:		
At 1 January	**333,293**	-
Charge for the year	**333,293**	333,293
At 31 December	**666,586**	333,293
Net book amount	**333,293**	666,586

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

	2020	*2019*
	SR	*SR*
At 1 January	**348,185**	655,379
Accretion of interest	**11,575**	37,306
Payments during the year	**(359,760)**	(344,500)
At 31 December	**-**	348,185

6 INTANGIBLE ASSETS

This account pertains to computer software acquired by the Company to support its operations. These assets have an estimated useful life of 5 years.

	2020	*2019*
	SR	*SR*
Cost:		
At 1 January	**161,950**	161,950
At 31 December	**161,950**	161,950
Accumulated amortisation:		
At 1 January	**161,950**	152,834
Charge for the year	**-**	9,116
At 31 December	**161,950**	161,950
Net book amount	**-**	-

7 CURRENT AND DEFERRED INCOME TAX

7.1 CHARGE FOR THE YEAR

The significant components of the taxable income of the Company for the years ended 31 December, as per the filed tax declarations, which are subject to adjustments under the income tax regulations are as follows:

	2020	*2019*
	SR	*SR*
Profit before income tax	**1,616,385**	1,864,492
Tax at the statutory income tax rate of 20% (2019: 20%)	**323,277**	372,898
Depreciation differences	**(62,314)**	31,822
Repairs and maintenance expenses in excess of legal limitations	**42,790**	90,678
Provisions charged to current year's accounts	**331,122**	241,199
Other	**(202,880)**	(321,313)
Tax at the effective income tax rate of 22% (2019: 21%)	**431,995**	415,284
Income tax expenses charged to profit or loss	**431,995**	**415,284**

Current income tax has been provided for based on 20% of the adjusted taxable income. The differences between the financial and adjusted taxable income are mainly due to certain disallowed provisions.

7.2 *DEFERRED TAX ASSETS*

The deferred tax assets charge comprises temporary differences attributable to:

	Statement of financial position		*Statement of comprehensive income*	
	2020	*2019*	***2020***	*2019*
	SR	*SR*	***SR***	*SR*
Depreciation differences of property and equipment	**191,409**	185,916	**5,493**	16,963
Employees' end of service benefits	**249,881**	171,936	**77,945**	6,330
	441,290	357,852	**83,438**	23,293

7.3 MOVEMENT IN PROVISION

	Current income tax		*Deferred income tax asset*	
	2020	*2019*	***2020***	*2019*
	SR	*SR*	***SR***	*SR*
At the beginning of year	**462,880**	657,443	**(357,852)**	(334,559)
Provided/(released) during the year	**431,995**	415,284	**(83,438)**	(23,293)
Payments during the year	**(464,346)**	(609,847)	-	-
At the end of the year	**430,529**	462,880	**(441,290)**	(357,852)

7.4 STATUS OF ASSESSMENTS

The Company has filed its tax declarations for all fiscal years up to 31 December 2019 with the General Authority of Zakat and Tax ("GAZT"). The assessments have been finalised by the GAZT up to 31 December 2013. The assessments for the years ended 31 December 2014 to 2019 have not yet been raised by GAZT.

8 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Societe Generale – Paris, a company registered in France, which is also the Company's immediate parent entity.

8.1 RELATED PARTY TRANSACTIONS

The following are the details of major related party transactions during the year:

		Amount of transactions	
		2020	*2019*
Related parties	***Nature of transactions***	***SR***	*SR*
<u>*Shareholder*</u>			
Societe Generale – Paris	Service fees charged by the Company (a)	**12,488,654**	11,856,279
	Arranging fees (a)	**586,724**	427,900
<u>*Affiliate*</u>			
Societe Generale – Dubai	Expenses charged by SG Dubai (b)	**2,099,729**	204,042
	Payment made to SG Dubai	**236,762**	156,885
Societe Generale – Bangalore	Expenses charged by SG Bangalore (b)	**111,128**	109,458
	Payment made to SG Bangalore	**100,456**	101,792
Board of Directors	Board of Directors fees (note 16)	**700,000**	700,000
Key management personnel	Short-term employee benefits (c)	**5,336,304**	4,243,633

There were no special terms and conditions with the related parties as compared to un-related parties. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

a) The Company has a transfer pricing agreement for the provision of general administrative and representative services in Saudi Arabia on behalf of SG Paris. The service fee is charged to SG Paris at cost plus 10% of all expenses (excluding income tax and any other expenses charged by SG Paris) incurred by the Company. Further, the Company entered into several arranging deals in cooperation with SG Paris.

b) The Company also has a service level agreement with Societe Generale, Dubai for provision of human resources and information technology services to the Company and a service level agreement with Societe Generale Bangalore for bookkeeping services.

c) Short term employee benefits of the Company's key management personnel include salaries, allowances, bonuses and contributions to the General Organization for Social Insurance.

8.2 *RELATED PARTY BALANCES*

The following are the details of the related party balance at year end:

Amounts due from a related party

	2020	*2019*
	SR	*SR*
Societe Generale – Paris	**8,741,087**	3,572,012

Amounts due to a related party

	2020	*2019*
	SR	*SR*
Societe Generale – Dubai	**1,970,269**	-

9 PREPAYMENTS AND OTHER CURRENT RECEIVABLES

	2020	*2019*
	SR	*SR*
Prepaid expenses	**355,048**	391,237
Special commission receivable	**64,968**	49,568
Advances to employees	**75,998**	277,218
VAT receivable	**-**	116,203
Other	**94,697**	54,728
	590,711	888,954

10 TIME DEPOSIT

The Company holds a time deposit with a local bank for which earns special commission at 1.7% per annum and it will mature in 2021.

11 CASH AND BANK BALANCES

	2020	*2019*
	SR	*SR*
Bank balances	**6,017,659**	6,969,298
Cash in hand	**3,822**	2,938
	6,021,481	6,972,236

12 SHARE CAPITAL

The authorized, issued and paid-up share capital consists of 5,000,000 shares of SR 10 each as at 31 December 2020 and 2019.

13 EMPLOYEES' END OF SERVICE BENEFITS

The Company has an unfunded plan for end of service benefits for its employees. Cash generated from operations are sufficient to meet end of service benefits obligations as they become due.

13.1 CHANGES IN EMPLOYEES' END OF SERVICE BENEFIT LIABILITY

	2020	*2019*
	SR	*SR*
At the beginning of the year	**1,070,026**	897,653
Interest expense	**32,167**	33,639
Current service cost	**298,955**	207,560
End of service expense recognised in profit or loss	**331,122**	241,199
Actuarial changes arising from changes in financial assumptions	**80,081**	54,923
Actuarial changes arising from experience adjustments	**43,721**	(123,749)
Actuarial loss (gain) recognized in other comprehensive income	**123,802**	(68,826)
At the end of the year	**1,524,950**	1,070,026

End of service benefits expenses are included in general and administrative expenses in the statement of comprehensive income as employee-related costs. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

13 EMPLOYEES' END OF SERVICE BENEFITS (continued)

13.2 ASSUMPTIONS USED AND RISKS

The principal assumptions used in determining the end of service benefit liability are shown below:

	2020 ***SR***	*2019* *SR*
Discount rate	**2.25%**	3.00%
Weighted average of the annual increase in compensation used in the calculation of end of service	**2.50%**	2.50%
Weighted average future number of years of service	**6.1**	7.6

The end of service benefit typically exposes the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

a) Interest risk

As explained in note 2.2.11, the discount rate used to calculate the present value of the end of service benefits obligation is estimated by reference to yields on the available corporate bonds. A decrease in the bond interest rate will increase the end of service benefit liability.

b) Longevity risk

The present value of the end of service benefits obligation is calculated by reference to the best estimate of the number of years of employment. An increase in the number of the remaining years of employment will increase the end of service benefit liability.

c) Salary risk

The end of service benefits liability is calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the end of service benefit liability.

12.2 SENSITIVITY ANALYSIS

A quantitative sensitivity analysis for significant assumptions on the end of service benefits liability as at 31 December 2020 and December 2019 is as shown below:

	2020 ***SR***	*2019* *SR*
Discount rate:		
1% increase	**(105,105)**	(72,099)
1% decrease	**119,771**	82,050
Weighted average of the annual increase in compensation used in the calculation of end of service		
1% increase	**118,177**	81,481
1% decrease	**(105,599)**	(72,845)
Weighted average future number of years of service		
10% increase	**(22,396)**	(14,411)
10% decrease	**23,613**	15,086

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the end of service benefits liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefits liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognised in the statement of financial position. The methods and assumptions used in preparing the sensitivity analyses for the 2020 and 2019 resented above are the same.

14 ACCRUALS AND OTHER PAYABLES

	2020	*2019*
	SR	*SR*
Accrual expenses	**2,368,479**	2,234,322
VAT payable	**585,955**	-
Other payables	**213,235**	221,002
	3,167,669	2,455,324

15 REVENUE

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2020	*2019*
	SR	*SR*
Type of service		
Service fees	**12,488,654**	11,856,279
Arranging fees	**586,724**	427,900
Total revenue from contract with a customer	**13,075,378**	12,284,179

There are no outstanding assets and liabilities balances related to contracts with customers presented in the statement of financial position, except for an outstanding balance due from a related party (see note 8).

Trade receivables and balance due from a related party are non-interest bearing and are generally on terms of 30 to 90 days.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
	SR	*SR*
Salaries and employee related expenses	**8,431,188**	6,250,900
Professional and consulting fees	**1,254,959**	1,584,737
Board of Directors fees (Note 7.1)	**700,000**	700,000
Depreciation and amortisation (notes 4, 5 and 6)	**514,801**	639,493
Insurance	**360,424**	391,660
Postage and communication	**164,396**	148,859
IT related fees	**148,063**	303,340
Occupancy expenses	**86,309**	116,783
Travelling	**35,277**	356,144
Advertising and public relations	**-**	45,731
Other	**191,290**	629,789
	11,504,127	11,167,436

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and bank balances, time deposit, due from a related party, and other current receivables. Financial liabilities consist of accruals and other payables. The fair values of financial assets and financial liabilities approximate their carrying values at the reporting date.

18 FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assists the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros during the year. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. The Company manages currency risk exposure to Euros by continuously monitoring the currency fluctuations. As at the balance sheet date, the Company's exposure to Euros was not significant.

Cash flow and fair value interest rate risk
Cash flow and interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is not exposed to cash flow interest rate risk on its cash at bank balances at it has no variable interest rate bearing assets or liabilities. The Company is also not exposed to fair value interest rate risk on the time deposit as the fixed rate is close to the current market rate.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	2020	*2019*
	SR	*SR*
Timed deposit	**48,124,604**	47,712,290
Due from a related party	**8,741,087**	3,572,012
Bank balances	**6,017,659**	6,969,298
Other receivables	**235,663**	497,717
	63,119,013	58,751,317

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for accounts receivable.

18 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
As at 31 December 2020 and 2019 the Company has no outstanding accounts receivable balances from third parties. Balance due from a related party (immediate parent) is being settled as per the agreed terms with no prior historical credit loss experience. Accordingly, the management has assessed that the impairment loss under ECL is not significant against the carrying value of bank balance and related party balances.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders. As at 31 December 2020 and 2019, the Company's accruals and other payables are contractually due within 12 months from the reporting dates.

19 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base to maintain investors and creditors and to sustain future development of the business.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

The minimum paid up capital required as per Article 6 (g) of the Authorized Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of licensed activities of the Company is SR 2 million.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

20 IMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL STATEMENTS

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

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the management is assessing the impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of preparation of the financial statements for the year ended 31 December 2020, the management has not identified any significant impact on Company's operations and financial results from the COVID-19 outbreak. These developments could impact our future financial results, cashflows and financial condition and the management will continue to assess the nature and extent of the impact on its business and financial results.

21 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved these financial statements on 15 Sha'aban 1442H (corresponding to 28 March 2021).