HSBC Saudi Arabia

FINANCIAL STATEMENTS

For the year ended 31 December 2020 together with the Independent auditor's report

HSBC

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Table of Contents

KPMG Professional Services
Riyadh Front, Airport road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent auditor's report

To the shareholders of HSBC Saudi Arabia

Opinion

We have audited the financial statements of HSBC Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

To the shareholders of HSBC Saudi Arabia (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Professional Services

Nasser Ahmed Al Shutairy
License no: 454

Riyadh: 18 Sha'ban 1442H
Corresponding to: 31 March 2021

كي . بي . إم . جي للاستشارات المهنية
ترخيص رقم ٤٦
س.ت: ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 1
KPMG Professional Services

HSBC SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amount in Saudi Riyal)

	Note	2020	2019
ASSETS			
Cash and cash equivalents	4	**195,374,415**	347,318,521
Investments - fair value through profit or loss ("FVTPL")	6	**88,127,562**	231,739,849
Advisory income receivable	7	**30,453,272**	9,562,322
Receivable against portfolio management	8	**3,464,328**	3,122,021
Receivable against margin lending	9	**730,750,779**	741,638,615
Due from related parties	10.a	**16,241,824**	86,006,675
Advances, prepayments and other receivables	11	**110,174,967**	55,344,157
Property and equipment, net	5	**24,951,153**	20,995,913
Deferred tax asset	12	**13,795,961**	8,633,476
TOTAL ASSETS		**1,213,334,261**	1,504,361,549
LIABILITIES AND EQUITY			
LIABILITIES			
Due to related parties	10.b	**28,221,905**	22,689,391
Deferred income		**3,888,740**	4,296,731
Short term loans	13	**50,111,823**	225,720,047
Accrued expenses and other liabilities	14	**179,885,813**	235,469,866
Zakat and income tax	15	**45,093,955**	60,762,716
End of service benefits	16	**56,877,853**	49,186,585
TOTAL LIABILITIES		**364,080,089**	598,125,336
EQUITY			
Share capital	17	**500,000,000**	500,000,000
Statutory reserve	18	**150,000,000**	150,000,000
Other reserves		**(7,152,871)**	(4,835,338)
Retained earnings		**206,407,043**	261,071,551
TOTAL EQUITY		**849,254,172**	906,236,213
TOTAL LIABILITIES AND EQUITY	17	**1,213,334,261**	1,504,361,549

The accompanying notes (1) through (33) form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

HSBC SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Amount in Saudi Riyal)

	Note	2020	2019
REVENUE			
Income from advisory services	25	**104,155,916**	133,875,572
Income from brokerage	25	**104,758,936**	90,768,621
Income from securities services	25	**212,160,006**	240,836,473
Asset management fee income	25	**106,633,838**	106,905,499
Income from margin financing	25	**27,615,031**	38,035,877
Brokerage income from equity swaps	20	**301,511**	4,266,683
Other income	24	**5,950,301**	11,179,365
TOTAL REVENUE		**561,575,539**	625,868,090
EXPENSES			
Salary and employee related expenses		**202,879,997**	212,418,813
Service cost under service level agreement	23	**42,511,932**	37,995,307
Office and other general expenses		**16,970,584**	17,478,988
Utility expenses		**4,457,024**	2,551,388
Impairment allowance for expected credit losses		**14,277,861**	2,367,659
Advertising and promotion expenses		**1,109,381**	2,202,969
Finance cost		**2,686,358**	9,774,704
Depreciation and amortization		**12,543,469**	11,623,370
Other expenses	22	**42,452,570**	32,698,725
TOTAL EXPENSES		**339,889,176**	329,111,923
INCOME BEFORE ZAKAT AND INCOME TAX		**221,686,363**	296,756,167
Provision for zakat and income tax	15	**(37,193,365)**	(49,997,897)
Credit for income tax – Deferred	12	**4,808,880**	547,887
NET INCOME FOR THE YEAR		**189,301,878**	247,306,157
Other comprehensive income for the year			
Item that cannot be reclassified to profit or loss in subsequent years:			
Actuarial (loss) / gain on end of service benefits, net		**(2,317,535)**	478,663
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**186,984,343**	247,784,820

The accompanying notes (1) through (33) form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

HSBC SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
(Amount in Saudi Riyal)

	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
Balance as at 1 January 2020	**500,000,000**	**150,000,000**	**261,071,551**	**(4,835,338)**	**906,236,213**
Net income for the year	**-**	**-**	**189,301,878**	**-**	**189,301,878**
Other comprehensive loss for the year	**-**	**-**	**-**	**(2,317,535)**	**(2,317,535)**
Dividends paid during the year (note 30)	**-**	**-**	**(243,966,384)**	**-**	**(243,966,384**
Balance as at 31 December 2020	**500,000,000**	**150,000,000**	**206,407,043**	**(7,152,871)**	**849,254,172**
Balance as at 1 January 2019	500,000,000	150,000,000	136,015,697	(5,314,001)	780,701,696
Net income for the year	-	-	247,306,157	-	247,306,157
Other comprehensive gain for the year	-	-	-	478,663	478,663
Dividends paid during the year	-	-	(122,250,303)	-	(122,250,303)
Balance as at 31 December 2019	500,000,000	150,000,000	261,071,551	(4,835,338)	906,236,213

HSBC SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amount in Saudi Riyal)

	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat and income tax		**221,686,363**	296,756,167
ADJUSTMENTS FOR			
Provision for expected credit losses, net		**14,277,861**	2,367,659
Unrealized loss / (gain) on investments classified as FVTPL	*24*	**402,530**	(4,056,761)
Realized gain on sale of investments classified as FVTPL	*24*	**(3,419,382)**	(2,152,800)
End of service benefits expense	*16*	**10,186,929**	7,996,581
Depreciation and amortization		**12,543,469**	11,623,370
Finance cost		**2,686,358**	9,774,704
MOVEMENT IN WORKING CAPITAL			
(Increase) / decrease in advisory income receivable		**(30,426,442)**	19,222,881
(Increase) in receivable against portfolio management		**(342,307)**	(591,075)
Decrease in receivable against margin lending		**10,899,136**	73,333,775
Decrease / (increase) in due from related parties		**66,120,724**	(71,801,874)
(Increase) / decrease in other assets		**(68,487,093)**	1,676,539
Decrease in deferred income		**(407,991)**	(963,378)
Increase / (decrease) in due to related parties		**5,532,514**	(4,628,495)
(Decrease) / increase in accrued expenses and other liabilities		**(49,584,053)**	78,474,142
CASH GENERATED FROM OPERATIONS		**191,668,616**	417,031,435

The accompanying notes (1) through (33) form an integral part of these financial statements.

HSBC SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2020
(Amount in Saudi Riyal)

	Note	**2020**	2019
Interest paid		**(3,294,582)**	(10,269,834)
Zakat and income tax paid		**(40,315,295)**	(4,931,465)
Cash received from SABB – transfer of end of service benefits		**49,331**	57,363
End of service benefits paid		**(5,216,131)**	(7,390,486)
NET CASH GENERATED / (USED IN) INVESTING ACTIVITIES		**142,891,939**	394,497,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(14,347,361)**	(1,598,330)
Payment of software development		**(2,151,483)**	(748,259)
Purchase of investments		**(160,000,000)**	(358,223,569)
Proceeds from sale of investments		**306,629,183**	314,886,110
NET CASH GENERATED / (USED IN) INVESTING ACTIVITIES		**130,130,339**	(45,684,048)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(243,966,384)**	(122,250,303)
Payment against borrowings		**(175,000,000)**	(100,000,000)
Cash payment of lease liability		**(6,000,000)**	(6,000,000)
NET CASH USED IN FINANCING ACTIVITIES		**(424,966,384)**	(228,250,303)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(151,944,106)**	120,562,662
Cash and cash equivalents at the beginning of the year		**347,318,521**	226,755,859
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*4*	**195,374,415**	347,318,521
NON-CASH SUPPLEMENTAL INFORMATION:			
Right-of-use-asset		**8,050,037**	8,018,990
Lease liability		**5,940,398**	5,913,460

The accompanying notes (1) through (33) form an integral part of these financial statements.

1. GENERAL INFORMATION

HSBC Saudi Arabia ("the Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010221555 dated 27/06/1427H (corresponding to 23/07/2006G). The address of the Company's head office is as follows:

HSBC Saudi Arabia
7267 Olaya- AlMorooj Dist
Riyadh 12283-2255
Kingdom of Saudi Arabia

The main activities of the Company are to provide a full range of securities business services including investment banking advisory, equity and debt capital market advisory, custody and funds securities services. It also manages mutual funds and discretionary portfolios and provides brokerage services including margin lending conventional and Shariah compliant overdraft facility for customers to trade in the capital market. The Company serves a wide range of clients including but not limited to corporates, financial institutions, non-bank financial institutions and individuals.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA") and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

b) Basis of measurement and presentation

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

Furthermore, the employee benefit obligation is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method ("PUCM") and actuarial assumptions.

c) Functional and presentation currency

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

d) Critical accounting judgements, estimates and assumptions

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

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions have been reviewed on an ongoing basis. Revisions to accounting estimates have been recognised in the year in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years.

i. Expected credit loss on financial assets
   The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost using 'expected credit loss' model ("ECL") in accordance with IFRS 9. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

2. BASIS OF PREPARATION (continued)

d) Critical accounting judgements, estimates and assumptions (continued)

ii. Useful lives and residual values of property and equipment
The management determines the estimated useful life 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. The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that the method and years of depreciation are consistent with the expected pattern of economic benefit of the assets.

iii. Assumptions for employee benefit obligations
Employee benefits represent obligations that will be settled in the future and require assumptions to project these obligations. IFRS requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The management uses an external actuary for performing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits incurred costs.

iv. Deferred tax
Deferred tax is measured at the tax rates that are estimated to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date. Management needs to estimate the scale for the profitability to determine the recoverability of deferred tax assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Impact of change in accounting policies due to adoption of new standard

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

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:
- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1

The adoption of the above standards / amendments and interpretations did not have any significant impact on these financial statements.

Standards issued but not yet effective

The accounting standards, amendments and revisions which have been issued and are effective for the Company's accounting year beginning on or after 1 January 2021 are listed below. Earlier application is permitted; however, the Company has opted not to early adopt these pronouncements.
- COVID-19 – Related Rent Concessions (Amendments to IFRS 16);
- IFRS 17 – Insurance contracts;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to Conceptual Framework (Amendments to IFRS 3)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Bank balances that are used to hold client funds are not reported as part of cash and cash equivalents.

b) Financial instruments

All financial assets and financial liabilities are initially recognized on the trade date i.e. the date on which the Company becomes party to the contractual provisions of the instrument

Classification of financial assets.
The Company classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”), and
- those to be measured at amortised cost

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (“OCI”). For investments in debt instruments, this will depend on the business model in the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

<u>Debt instruments</u>
Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is computed using the effective interest rate method.

- Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

- Fair value through profit or loss (“FVTPL”): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. Interest income from these financial assets is included in the finance income.

<u>Equity instruments</u>
The Company subsequently measures all equity investments at fair value. Where the company’s management elects to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Company’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gain / (losses) in the statement of profit or loss as applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected credit losses ("ECL")

The Company assesses on a forward-looking basis the ECL associated with its assets carried at amortised cost and FVOCI. The ECL methodology applied depends on whether there has been a significant increase in credit risk. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

For fee receivables, the Company applies the simplified approach permitted in IFRS 9 to estimate the ECL, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The methodology applied in estimating the provisions is detailed in note 26.

For margin lending receivables, the ECL methodology applied uses a general approach, based on judgments and assumptions, staging criteria, as detailed in note 26 and consideration of collateral in case of liquidation. Furthermore, existing market conditions as well as forward looking estimates are considered in the methodology.

Financial liabilities

Other financial liabilities

Other financial liabilities (including trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

c) Fair value measurem

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

d) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the property and equipment. All other expenditure is recognized in the income statement when incurred.

Expenditure incurred up to the point of capitalization, until the asset is ready for the intended use, is treated as capital work in progress. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful life of individual items of property and equipment.

The estimated useful lives of the Company's property and equipment are as follows:

	Years
Leasehold improvements	5
Furniture and equipment	5
Motor vehicles and software	4

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

At each year end, the Company assesses whether there is any indication that an asset is impaired. If such an indication exists, an estimate of the asset's recoverable amount is made. If the recoverable amount is below the asset's carrying amount, the asset is written down to its recoverable amount.

e) Leases

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

The Company recognizes of right-of-use asset and lease liability at the lease commencement date.

Right-of-use asset

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred at and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; - variable lease payments 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.

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 comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

f) End of service benefits

End of service benefit costs and termination benefits

For end of service benefits, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting year. Re-measurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the year in which they occur.

Re-measurement recognized in other comprehensive income is reflected immediately in other reserves and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the year of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability or asset. End of service benefit costs are categorized as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) End of service benefits (continued)

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

The end of service benefits recognized in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

g) Going concern

The financial statements are prepared on a going concern basis, as the management is satisfied that the Company has the resources to continue business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

h) Revenue from contracts with customers

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

The Company applies the following five-step approach of revenue recognition:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue from contracts with customers (continued)

Asset management fee income

Asset Management fee income from mutual funds and discretionary portfolio management is recognised over the period when the service is being provided.

Brokerage income from equity swaps

Brokerage income on equity swaps is recognised on an accrual basis over the period when the service is being provided.

Brokerage income

Revenue from equity brokerage is recognized at the time of execution of orders, and is recorded net of Tadawul fees, discounts and rebates.

Income from securities services

Fees charged for providing securities services, which include custodial services, are recognised as revenue over the period when the service is being provided. Unearned revenue is deferred and recognised when earned.

Income from margin lending

Margin lending is an overdraft facility provided to customers to trade in the capital market. Interest income from margin lending is accrued daily on the outstanding balance on an effective yield basis.

Other income

Other income comprises of all gains and losses from changes in the fair value of financial assets and financial liabilities measured at fair value through profit and loss, together with the related interest income, expense, dividends and gain/loss on disposal of investment.

Dividends

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

i) Expenses

Expenses are those arising from the Company's operating activities including direct costs and are classified as operating expenses.

j) Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Arabian Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the statement of profit or loss.

k) Tax and Zakat

Current tax and zakat

The Company is subject to tax and zakat in accordance with the Regulations for General Authority for Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia. The Zakat charge is computed on the Zakat base and is charged to the statement of profit or loss. The provision for income tax is charged to the statement of profit or loss using tax rates enacted or substantively enacted at the end of the reporting.

Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the zakat regulations. Income taxes are computed on the foreign shareholders share of net income for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Tax and Zakat (continued)

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax assets and liabilities are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

l) 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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Dividends

Dividends to holders of equity instruments are recognised as liabilities in the year in which they are declared.

n) Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of net income to a statutory reserve until such reserve equals 30% of the paid up capital as a minimum. This reserve is not available for distribution.

o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Reportable segments are disclosed separately at least where, total revenue is more than 10% of the total revenue of the Company, or absolute amount of profit or loss is more than 10% of combined reported profit of all segments (excluding loss making segments) and combined reported loss of all segments (excluding profit making segments), or total assets are more than 10% of total assets of the Company.

(Amount in Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

q) 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.

4. CASH AND CASH EQUIVALENTS

	As at 31 December 2020	As at 31 December 2019
Cash at bank	**195,374,415**	347,318,521
	195,374,415	347,318,521

5. PROPERTY AND EQUIPMENT, NET

	2020						
	Right-of use-asset	**Leasehold improvement**	**Furniture**	**Equipment**	**Software**	**Motor vehicles**	**Total**
Cost							
Balance at beginning of the year	**13,850,982**	**13,389,947**	**16,790,524**	**9,193,276**	**13,899,553**	**414,250**	**67,538,532**
Adjustment on transition to IFRS 16	-	-	-	-	-	-	-
Additions during the year	**8,850,199**	**-**	**-**	**4,477,445**	**1,019,717**	**-**	**14,347,361**
Balance at the end of year	**22,701,181**	**13,389,947**	**16,790,524**	**13,670,721**	**14,919,270**	**414,250**	**81,885,893**
Accumulated depreciation							
Balance at beginning of the year	**5,831,992**	**13,375,259**	**16,534,257**	**6,864,121**	**5,752,501**	**414,250**	**48,772,380**
Charge for the year	**8,819,152**	**14,688**	**111,429**	**811,571**	**2,786,764**	**-**	**12,543,604**
Balance at the end of year	**14,651,144**	**13,389,947**	**16,645,686**	**7,675,692**	**8,539,265**	**414,250**	**61,315,984**
Net book Value:	**8,050,037**	**-**	**144,838**	**5,995,029**	**6,380,005**	**-**	**20,569,909**
Capital work in progress *(5.1)*	**-**	**-**	**-**	**-**	**-**	**-**	**4,381,244**
Balance at 31 December	**8,050,037**	**-**	**144,838**	**5,995,029**	**6,380,005**	**-**	**24,951,153**

5.1 Capital work in progress of SAR 4.38 million mainly pertains to certain business system implementations that are under development.

(Amount in Saudi Riyal)

5. PROPERTY AND EQUIPMENT, NET (continued)

	2019						
	Right-of use-asset	**Leasehold improvement**	**Furniture**	**Equipment**	**Software**	**Motor vehicles**	**Total**
Cost							
Balance at beginning of the year	-	13,389,947	16,790,524	7,594,817	4,028,732	414,250	42,218,270
Adjustment on transition to IFRS 16	13,850,982	-	-	-	-	-	13,850,982
Additions during the year	-	-	-	1,598,459	9,870,821	-	11,469,280
Balance at the end of year	13,850,982	13,389,947	16,790,524	9,193,276	13,899,553	414,250	67,538,532
Accumulated depreciation							
Balance at beginning of the year	-	13,195,517	16,351,793	6,227,891	980,684	393,125	37,149,010
Charge for the year	5,831,992	179,742	182,464	636,230	4,771,817	21,125	11,623,370
Balance at the end of year	5,831,992	13,375,259	16,534,257	6,864,121	5,752,501	414,250	48,772,380
Net book Value:	8,018,990	14,688	256,267	2,329,155	8,147,052	-	18,766,152
Capital work in progress *(5.1)*	-	-	-	-	-	-	2,229,761
Balance at 31 December	8,018,990	14,688	256,267	2,329,155	8,147,052	-	20,995,913

6. INVESTMENTS – FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

As at 31 December 2020, investments classified as FVTPL comprise of investment in units of HSBC MSCI Tadawul 30 Saudi ETF, HSBC Sukuk Fund, HSBC Saudi Riyal Trading Fund, and HSBC GCC Equity Income Fund which are recorded at fair value.

	As at 31 December 2020	As at 31 December 2019
Cost	**86,625,330**	227,683,088
Change in fair value	**1,502,232**	4,056,761
	88,127,562	231,739,849

Following is the breakdown of the investments:

	As at 31 December 2020	As at 31 December 2019
Change in fair value	**7,461,235**	7,100,514
HSBC Sukuk Fund	**49,981,836**	50,336,788
HSBC Saudi Riyal Murabaha Fund	**9,788,091**	152,948,347
HSBC GCC Equity Income Fund	**20,896,400**	21,354,200
	88,127,562	231,739,849

(Amount in Saudi Riyal)

7. ADVISORY INCOME RECEIVABLE

	Note	As at 31 December 2020	As at 31 December 2019
Gross advisory income receivable		**47,250,579**	16,824,137
Less: Provision for expected credit losses	7.2	**(16,797,307)**	(7,261,815)
		30,453,272	9,562,322

7.1 Following is the age analysis for advisory income receivable balance and the corresponding allowance for expected credit losses as at 31 December 2020.

Number of days outstanding	Gross receivables	Allowance for expected credit losses	Net receivables
Up to-90	**38,309,954**	**8,163,376**	**30,146,578**
91-360	**5,072,500**	**4,765,806**	**306,694**
361 and above	**3,868,125**	**3,868,125**	**-**
Total	**47,250,579**	**16,797,307**	**30,453,272**

Following is the age analysis for advisory income receivables balance and the corresponding allowance for expected credit losses as at 31 December 2019.

Number of days outstanding	Gross receivables	Allowance for expected credit losses	Net receivables
Up to-90	9,757,015	1,537,586	8,219,429
91-360	3,945,247	2,602,354	1,342,893
361 and above	3,121,875	3,121,875	-
Total	16,824,137	7,261,815	9,562,322

7.2 Following is the movement of the provision for expected credit losses.

	As at 31 December 2020	As at 31 December 2019
Opening balance	**7,261,815**	5,325,345
Charge during the year	**9,535,492**	2,711,220
Write off	**-**	(774,750)
Closing balance	**16,797,307**	7,261,815

8. RECEIVABLE AGAINST PORTFOLIO MANAGEMENT

This represents management fees receivable from customers in relation to discretionary portfolio management services provided by the Company. As at 31 December 2020, the management believes that no allowance for expected credit losses is required against these receivables since these are short term in nature.

(Amount in Saudi Riyal)

9. RECEIVABLE AGAINST MARGIN LENDING

The Company extends margin financing facilities to its customers to invest in the Saudi stock exchange (Tadawul) who wish to actively trade on a leveraged basis, secured by the tradeable securities. The facilities are reviewed at least on an annual basis.

	Note	**As at 31 December 2020**	As at 31 December 2019
Gross receivable against margin lending	9.1	**731,509,212**	742,408,348
Less: provision for expected credit losses	9.3	**(758,433)**	(769,733)
		730,750,779	741,638,615

9.1 Receivable against margin lending include the following receivable under shariah compliant facility

	As at 31 December 2020	As at 31 December 2019
Receivable against margin lending (islamic)	**179,950,461**	345,586,437

9.2 Following is the stage wise analysis of gross receivable against margin lending

	As at 31 December 2020	As at 31 December 2019
Stage 1	**704,599,676**	715,097,873
Stage 2	**26,909,536**	27,310,475
Stage 3	**-**	-
Closing balance	**731,509,212**	742,408,348

9.3 Following is the movement of the provision for expected credit losses

	As at 31 December 2020	As at 31 December 2019
Opening balance	**769,733**	1,113,294
Release during the year	**(11,300)**	(343,561)
Closing balance	**758,433**	769,733

The methodology applied in estimating provision for receivable against margin lending have been based on judgments and assumptions using staging criteria and consideration of the collaterals in case of liquidation.

(Amount in Saudi Riyal)

10. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of group companies including its affiliates and its shareholders. The Company and its related parties transact with each other in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

		Note	As at 31 December 2020	As at 31 December 2019
(a)	***Due from related parties***			
	Receivable from SABB	10.1	**12,623,718**	75,339,738
	Receivable from affiliates	10.2	**3,618,106**	10,666,937
			16,241,824	86,006,675
(b)	***Due to related parties***			
	Payable to SABB	10.3	**23,674,070**	2,323,414
	Payable to affiliates	10.4	**4,547,835**	20,365,977
			28,221,905	22,689,391

10.1 This mainly represents receivable on account of advisory services, receivable on special commission income on deposit and VAT related receivables.
10.2 This mainly represents management fee receivables on account of HSBC Funds, settlements and receivables on account of advisory services.
10.3 This mainly represents net open unsettled cash position between the Company and SABB.
10.4 This mainly consists of payable to HSBC entities for profit sharing of advisory deals.
The income and expenses in respect of related parties included in the financial statements are as follows:

Transaction with	Income Statement Income	Note	2020	2019
The Saudi British Bank (SABB)	Special commission income on deposit		**28,414,131**	98,596,195
	Fees for portfolio management service Arranging/advisory income under service		**4,575,308**	11,215,862
	level agreement		**24,652,500**	13,860,372
	Expense			
	Services cost under service level 23 agreement-net		**23,896,700**	24,209,233
	Special commission expense on short term loan facility		**1,422,772**	7,813,099

(Amount in Saudi Riyal)

10. RELATED PARTY TRANSACTIONS (continued)

HSBC Saudi Arabia	**Income**			
Mutual Funds* ("the Mutual Funds")	Brokerage income, net		**775,047**	610,906
	Asset management fee from funds		**76,382,675**	72,288,180
	Unrealized/Realized gain on sale of investments		**3,016,852**	6,209,561

HSBC Entities	**Income**			
	Brokerage income on equity swaps	20	**301,511**	4,266,683
	Arranging/advisory income under service level agreement		**7,999,585**	9,263,383
	Expense			
	Service cost under service level agreement	23	**18,615,232**	13,786,074

Directors remuneration and Committee members Fee			**2,000,000**	1,670,000
Key management compensation**	Salaries & compensations		**6,749,070**	6,310,000
	Allowances		**4,215,258**	3,308,138
	Periodic and annual remunerations		**13,670,000**	16,674,000

The income and expenses in respect of related parties included in the financial statements are as follows:

*HSBC Saudi Arabia Mutual Funds comprises of following funds that are managed by HSBC Saudi Arabia:

HSBC Saudi Equity Fund
HSBC Saudi Equity Income Fund
HSBC Saudi Companies Equity Fund
HSBC Saudi Financial Institutions Equity Fund
HSBC Saudi Construction and Cement Companies Equity Fund
HSBC Saudi Industrial Companies Equity Fund
HSBC Saudi Freestyle Equity Fund
HSBC Sukuk Fund
HSBC GCC Equity Fund
HSBC MSCI Tadawul 30 Saudi ETF
HSBC Investment Fund 30
HSBC Investment Fund 31

HSBC Enhanced Murabaha Fund

HSBC China and India Equity Freestyle Fund
HSBC Global Equity Index Fund
HSBC Global Emerging Markets Equity Fund
HSBC GCC Equity Income Fund
HSBC Multi-Assets Defensive Fund
HSBC Multi-Assets Growth Fund
HSBC Multi-Assets Balanced Fund
HSBC US Dollar Murabaha Fund
HSBC Saudi Riyal Murabaha Fund
HSBC Logistics Income Fund
HSBC Investment Fund 32
HSBC Private Placement Fund 17 (liquidated during the year)

**Key management personnel includes top six senior executives, including Chief Executive Officer and Chief Financial Officer having authority and responsibility for planning, directing, and controlling the activities of the Company.

(Amount in Saudi Riyal)

11. ADVANCES, PREPAYMENTS AND OTHER ASSETS

	Note	As at 31 December 2020	As at 31 December 2019
Advance tax		**31,277,122**	9,600,920
Receivable against security services		**31,532,457**	31,085,169
Prepayment and other receivables	11.1	**47,365,388**	14,658,068
		110,174,967	55,344,157

11.1 This mainly represents receivable value added tax recoverable and prepaid expenses including prepaid housing allowances and prepaid health insurance.

12. DEFERRED TAX ASSET

Deferred tax asset pertains to deductible temporary differences arising from allowance for expected credit loss, property and equipment depreciation / amortisation charge, end of service benefits charge and movements in investments valuation. Movements of the account balance are as follows:

	As at 31 December 2020	As at 31 December 2019
Opening balance	**8,633,476**	8,026,402
Deferred tax to		
- profit or loss	**4,808,880**	547,887
- comprehensive income	**353,605**	59,187
Closing balance	**13,795,961**	8,633,476

13. SHORT TERM LOANS

	Note	As at 31 December 2020	As at 31 December 2019
Short-term loan from SABB and other local bank (Principal amount)	13.1	**50,000,000**	225,000,000
Accrued special commission expense	13.2	**111,823**	720,047
		50,111,823	225,720,047

13.1 This represents short-term loan from SABB and other local commercial bank carrying commission rate at agreed commercial rate. This facility arrangement includes certain covenants, which the Company was in compliance with during the year ended 31 December 2020. During the year, the Company has fully repaid short term loan from SABB amounting to SAR 175,000,000.

13.2 This represents accrued commission expense on short-term loans carrying a commission rate of 3 months SAIBOR plus 1.25% - 1.20% per annum.

13.3 Reconciliation of movement of short-term loans to cashflow arising from financing activities.

(Amount in Saudi Riyal)

13. SHORT TERM LOANS (continued)

	As at 31 December 2020	As at 31 December 2019
Opening balance	**225,720,047**	326,215,177
Finance cost	**2,686,358**	9,774,704
Payment during the year	**(178,294,582)**	(110,269,834)
Closing balance	**50,111,823**	225,720,047

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	**As at 31 December 2020**	As at 31 December 2019
Accrued bonus		**84,150,819**	96,018,383
Other current liabilities	14.1	**89,794,596**	133,538,023
Lease Liability	14.2	**5,940,398**	5,913,460
		179,885,813	235,469,866

14.1 This mainly represents payable in relation to pending settlements of fund management and brokerage transactions held at the year end.

14.2 Reconciliation of movement of lease liability to cashflow arising from financing activities.

	As at 31 December 2020	As at 31 December 2019
Opening balance	**5,913,460**	-
Addition during the year	**5,769,231**	11,574,125
Finance cost	**257,707**	339,335
Payment during the year	**(6,000,000)**	(6,000,000)
Closing balance	**5,940,398**	5,913,460

14.3 Following is the maturity analysis of lease liability:

31 December 2020	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Current	**6,000,000**	**59,602**	**5,940,398**
	6,000,000	**59,602**	**5,940,398**

31 December 2019	Future minimum lease payments	Interest	Present value of minimum lease payments
Current	6,000,000	86,540	5,913,460
	6,000,000	86,540	5,913,460

(Amount in Saudi Riyal)

15 ZAKAT AND INCOME TAX

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. The provision for income tax is calculated at the rate of 20% based on the share of taxable income of non-Saudi shareholders.

The Company has filed tax and zakat declarations for the years up to and including the year ended 31 December 2019 with the General Authority of Zakat and Tax ("GAZT") and received assessment orders for the years 2008 to 2014 with additional demands for which the Company has accordingly filed appeals. Furthermore during the year, the Company received zakat and income tax assessment for the year 2018. The status of all the GAZT assessment orders received as of 31 December 2020 is as follows:

Tax year	Amount of assessment order	Relating to	Status as of 31 December 2020
2008 - 2013	8,410,663	Zakat	Settled during the year
2014	6,870,081	Zakat	Appealed
2018	8,490,843	Zakat	Appealed
2018	16,364,476	Tax	Appealed

Management is confident about their position for both 2014 and 2018 assessments and believe the outcome of their respective appeals will be favorable and hence, have reflected this matter in these financial statements accordingly.

	As at 31 December 2020	As at 31 December 2019
Income tax payable	**32,141,750**	41,916,822
Zakat payable	**12,952,205**	18,845,894
	45,093,955	60,762,716

Movement in zakat and income tax payable is as follows:

	As at 31 December 2020	As at 31 December 2019
Opening balance	**60,762,716**	28,461,531
Provision for the year	**34,401,458**	44,197,897
Prior year provision, net	**2,791,907**	5,800,000
Payment made, net	**(40,315,295)**	(4,931,465)
Advance tax utilized	**(12,546,831)**	(12,765,247)
Closing balance	**45,093,955**	60,762,716

16. END OF SERVICE BENEFITS

	As at 31 December 2020	As at 31 December 2019
End of service benefits	**56,877,853**	49,186,585

(Amount in Saudi Riyal)

16. END OF SERVICE BENEFITS (continued)

The movement in provision for end of service benefits for the years ended are as follows:

	As at 31 December 2020	As at 31 December 2019
End of service benefits at the beginning	**49,186,585**	48,942,303
Current service cost	**9,137,700**	6,005,710
Net interest cost	**1,049,229**	1,990,871
Actuarial loss / (gain)	**2,671,139**	(419,176)
Transfer from SABB	**49,331**	57,363
Benefits paid to outgoing employees	**(5,216,131)**	(7,390,486)
End of service benefits at the end	**56,877,853**	49,186,585

End of service benefits costs

	For the year ended 31 December 2020	For the year ended 31 December 2019
Current service cost	**9,137,700**	6,005,710
Net interest cost	**1,049,229**	1,990,871
End of service benefits charge for the year	**10,186,929**	7,996,581
Actuarial loss / (gain) on end of service benefits	**2,671,139**	(419,176)
End of service benefits costs recognized in statement of comprehensive income	**12,858,068**	7,577,405

Principal actuarial assumptions (in respect of the employee benefit scheme)

	For the year ended 31 December 2020	For the year ended 31 December 2019
Discount rate	**2.30%**	2.25%
Expected rate of salary increase	**3.85%**	3.85%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Maturity profile of end of service benefits:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Weighted average duration of the DBO	**6.77 years**	5.20 years
Distribution of timing of benefit payments		
Year 1	**5,675,932**	7,389,692
Year 2	**5,474,228**	6,578,421
Year 3	**5,470,311**	5,879,882
Year 4	**5,615,624**	5,401,368
Year 5	**6,211,634**	4,412,411
Year 6-10	**17,268,477**	16,163,585
Year 11 and above	**18,845,680**	9,815,894

(Amount in Saudi Riyal)

16. END OF SERVICE BENEFITS (continued)

Sensitivity analysis on significant actuarial assumptions:

Incorporating reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, the incremental impact on the defined benefit obligations would have been:

	2020	2019
1 Discount rate +1%	**(6,437,307)**	(2,429,250)
2 Discount rate -1%	**851,739**	2,687,208
3 Long term salary increase +1%	**1,028,565**	2,865,899
4 Long term salary increase -1%	**(6,663,601)**	(2,641,415)

17. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 50 million shares of SAR 10 each. As at 31 December 2020, the Company is owned by the following shareholders in the proportion set out below:

	Number of shares	**% of contribution**	**As at 31 December 2020**
HSBC Asia Holdings BV	25,500,000	51%	255,000,000
The Saudi British Bank ("SABB")	24,500,000	49%	245,000,000
Total	**50,000,000**	**100%**	**500,000,000**

18. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, a minimum of 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. During the year ended 31 December 2020, no amount was transferred to statutory reserve. This reserve is not currently available for distribution.

19. CONTINGENCIES AND COMMITMENTS

There are no material contingencies and commitments as on 31 December 2020.

20. EQUITY SECURITIES HELD UNDER SWAP AGREEMENTS

As at 31 December 2020, the Company held equity securities listed on Saudi stock exchange (Tadawul) having market value of SAR 289.36 million (2019: SAR 701.45 billion) in its name under Equity Swap Master Confirmation Agreement. These securities were held in pursuance to the Capital Market Authority ("CMA") circular dated 21 August 2008. Through this circular, CMA allowed the Authorized Persons ("AP") to enter into Swap Agreement with non-resident foreign investors to transfer the economic benefits of the shares of companies' listed on Tadawul while the Company retain the legal ownership of shares.

As at 31 December 2020, cash amounting to SAR 30.61 million (2019: SAR 49.94 million) was kept with SABB on behalf of the customers under the terms of this equity swap agreement.

(Amount in Saudi Riyal)

21. ASSETS HELD UNDER FIDUCIARY CAPACITY

(a) Assets under management

These represent mutual funds' and discretionary portfolio assets managed by the Company, which amounts to SAR 16.34 billion (2019: SAR 17.65 billion) as at 31 December 2020.

(b) Balances held under brokerage and securities cash accounts

As at 31 December 2020, cash balances held in brokerage accounts amounting to SAR 6.96 billion (2019: SAR 21.39 billion) were kept with SABB. The Company does not hold any brokerage cash deposit for customers and hence requires customers to hold cash deposits in a designated brokerage account in SABB in order to transact in the local equity market via HSBC as the broker.

22. OTHER EXPENSES

	For the year ended 31 December 2020	For the year ended 31 December 2019
Professional fees	**28,845,548**	25,849,034
Travel	**773,674**	3,422,672
Communications expenses	**897,048**	1,355,426
Others	**11,936,300**	2,071,593
	42,452,570	32,698,725

23. SERVICE COSTS UNDER SERVICE LEVEL AGREEMENT

This represents allocation of service costs under separate service level agreement between the Company and SABB and HSBC entities. SABB and HSBC entities, in accordance with the terms of the agreement, have agreed to provide operational services to the Company including, information technology, property and operations.

24. OTHER INCOME

Other income mainly comprised of dividend income, realized and unrealized gains on investments held at fair value through profit and loss.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Dividend income	**1,986,135**	4,294,250
Realized gain on investments held at FVTPL	**3,419,382**	4,045,761
Unrealized (loss) / gain on investments held at FVTPL	**(402,530)**	2,152,800
Others	**947,314**	686,554
	5,950,301	11,179,365

(Amount in Saudi Riyal)

25. SEGMENT INFORMATION

The Company's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Company's reportable segments are as follows:

Advisory services - includes advisory services related to equity, debt and project finance offered to sovereign entities, financial institutions and corporates.

Brokerage services - includes domestic and international equity brokerage services acting as broker to trade in securities in local and international exchanges.

Asset management services – includes managing securities and investments on behalf of investors.

Security services – includes custody and clearing services, providing back office services, IPOs/Right Issues Management Services and Escrow Agent Services to global custodians, fund managers and brokerage dealers.

Marginal lending – a fully secured overdraft facility provided to customers to trade in the local equities.

Other operations – includes income earned from investment activities of Company.

The Company's total operating income and expenses, and the results for the year then ended, by operating segment, are as follows:

For the year ended 31 December 2020	**Advisory services**	**Brokerage contribution**	**Margin lending**	**Asset management**	**Securities services**	**Other operations**	**Total**
Revenue*	**104,156**	**104,759**	**27,615**	**106,634**	**212,160**	**6,252**	**561,576**
Expenses*	**85,544**	**91,546**	**2,718**	**91,077**	**69,004**	**-**	**339,889**

For the year ended 31 December 2019	Advisory services	Brokerage contribution	Margin lending	Asset management	Securities services	Other operations	Total
Revenue*	133,876	90,769	38,036	106,905	240,836	15,446	625,868
Expenses*	75,769	91,811	9,462	78,154	73,916	-	329,112

26. FINANCIAL RISK MANAGEMENT

The Board of Directors ("the Board") of the Company are responsible for the overall risk management framework and for approving the risk management strategies and principles. On behalf of the Board, the Board Risk Committee considers the adequacy and effectiveness of the policies and controls that are in place relating to risk management. The Chief Risk Officer (CRO) has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits and is responsible for day to day oversight of the risk management framework. The CRO reports to the Board Risk Committee on a regular basis.

(Amount in Saudi Riyal)

26. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk exposure within the Company principally arises from receivables from advisory services rendered, margin lending, cash and cash equivalents, and fee receivable from funds managed by the Company. The Company manages its credit risk by monitoring credit exposures, establishing limits for transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company's risk management policies are designed to identify and set appropriate risk limits and to monitor the risks and adherence to limits on a continuous basis.

The Company seeks to mitigate its overall credit risk exposure through sound risk strategies, establish credit limits, segment diversification and ensures there are sound internal control. Procedures for identifying and recording and monitoring all large exposures are managed as per thresholds defined by the regulator. The Company has defined large exposures as an exposure to a counterparty or group of connected counterparties that exceeds 10% of the capital base.

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

	31 December 2020	31 December 2019
Cash and cash equivalent	**195,374,415**	347,318,521
Receivable against portfolio management	**3,464,328**	3,122,021
Receivable against margin lending	**730,750,779**	741,638,615
Advisory income receivables	**30,453,272**	9,562,322
Due from related parties	**16,241,824**	86,006,675
Total	**976,284,618**	1,187,648,154

Measurement of ECL

Receivable against margin lending

The Company has adopted a general approach for estimating the ECL on its margin lending portfolio. The staging categorisation for the margin lending portfolio is evaluated considering its product features as follows:

Stage 1 - No Breaches
Stage 2 - Margin Call Trigger Breach
Stage 3 - Liquidation Call Trigger Breach

The key inputs into the measurement of ECL are the following risk estimates:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated, based on Vasicek model (theoretical model underpinning the Basel II IRB capital formula) used to arrive at PIT PD conditional on a state of single systematic factor. The model uses GDP growth rate of Saudi Arabia which is considered as the single risk factor (SRF) addressing systematic risk and it is assumed that it follows a normal distribution. These rating models are based on both quantitative and qualitative factors. The default rate computation is carried out at a portfolio level.

In determining the LGD, the management considers credit risk of the exposures to be minimal given the nature and extent of the collateral pledged, which mainly consist of equity securities traded through the Company's brokerage services, against the Company's exposures. In accordance with the policy of the Company, the margin finance facilities should be 200% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 130%.

26. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

EAD represents the expected exposure in the event of a default. Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of receivable against margin lending is its gross carrying amount as of the reporting date. Since, the lifetime maturity of this portfolio is 12 months or less, irrespective of whether an account is under Stage 1 or Stage 2, a 12 month ECL is estimated which is same as lifetime ECL.

Fee receivables

The Company has adopted simplified approach for estimating the ECL on fee receivables. Under this approach, the Company recognises ECL based on life time expected losses recognized from initial recognition of the receivables. This approach is based on judgments and assumptions using provision matrix, ageing of receivables, historical loss rates where available, existing market conditions as well as forward looking estimates such as macroeconomic forecasts adjusted for overlays as determined by management in applying their expert judgement at the end of the reporting year.

The management has exercised expert judgment to assign scenario weights for ECL computation. Accordingly, the final weighted average ECL assigned 70%, 15% and 15% to baseline, upturn and downturn ECL respectively. The management is of the opinion that the likelihood of upturn/downturn scenario would be in the range of 10% to 20% and thereby has considered a 15% scenario weight for each of them. The management, on an ongoing basis would evaluate the macro economic conditions and thereby revisit the scenario weights accordingly

Foreign exchange rate risk

Foreign exchange rate risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liability in that currency. The Company's foreign currency transactions are primarily denominated in USD. The rate of exchange for conversion of the Saudi Riyal to the US Dollar is pegged, on the basis of which the management believes that the Company is not significantly exposed to risk of fluctuation in foreign exchange rates.

Market risk

Special commission rate risk

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in assets and liabilities, which are subject to special commission rate adjustment within a specified period. The most important source of such rate is the Company's borrowing where fluctuations in special commission rates, if any, are reflected in the results of its operations. Management monitors the change in the special commission rate and believes that the net special commission rate risk to the Company is not significant, however the sensitivity impact of which is disclosed below:.

	Increase/ decrease in basis points	**Impact on income**
Special commission income	**+10**	**701,957**
	-10	**(701,957)**
Special commission expense	**+10**	**79,167**
	-10	**(79,167)**

Furthermore, there are investments in mutual funds where underlying assets are debt instruments and income from which are subject to the special commission rate risk defined above. Therefore, the net asset value of these mutual funds are also subject to fluctuations in special commission rates. Since these mutual funds' investments are highly liquid due to its open ended nature, management is able to minimise the risk while monitoring the net asset value changes due to fluctuations in special commission rates.

(Amount in Saudi Riyal)

26. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk

Equity price risk refers to the risk of decrease in fair values of equity securities held by the Company. Currently the Company does not have any investments in equity securities, however, there are investments in mutual funds where underlying assets are equity securities. The net asset value of these mutual funds are subject to equity price risk. Since these mutual funds' investments are highly liquid due to its open ended nature, management is able to minimize the risk while monitoring the net asset value changes due to fluctuations in equity price indices.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can arise from market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining year at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits and long-term loans are contractually payable on a current basis. The table below shows an analysis of the financial assets and liabilities according to when they are expected to be recovered or settled.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligation. The contractual maturities of the liabilities have been determined based on the remaining year at the statement of financial position date to the contractual maturity date and do not take account of the effective expected maturities.

31 December 2020	Within 3 months	3 to 12 months	No fixed maturity	Within 3 months
Financials assets				
Cash and cash equivalents	195,374,415	-	-	195,374,415
Investments - fair value through profit or loss	-	-	88,127,562	88,127,562
Advisory income receivable	30,453,272	-	-	30,453,272
Receivable against portfolio management	3,464,328	-	-	3,464,328
Receivable against margin lending	17,538,016	713,212,763	-	730,750,779
Due from related parties	16,241,824	-	-	16,241,824
Total	263,071,855	713,212,763	88,127,562	1,064,412,180
Financial liabilities				
Due to related parties	28,221,905	-	-	28,221,905
Short term loans	50,111,823	-	-	50,111,823
Accrued expenses and other liabilities	116,664,442	57,711,986	-	174,376,428
Total	194,998,170	57,711,986	-	252,710,156
Maturity gap	50,535,669	673,038,793	88,127,562	811,702,024
Cumulative maturity gap	50,535,669	723,574,462	811,702,024	-

(Amount in Saudi Riyal)

26. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

31 December 2019	Within 3 months	3 to 12 months	No fixed maturity	Within 3 months
Financials assets				
Cash and cash equivalents	347,318,521	-	-	347,318,521
Investments - fair value through profit or loss	-	-	231,739,849	231,739,849
Advisory income receivable	9,562,322	-	-	9,562,322
Receivable against portfolio management	3,122,021	-	-	3,122,021
Receivable against margin lending	276,321,959	465,316,656	-	741,638,615
Due from related parties	86,006,675	-	-	86,006,675
Total	722,331,498	465,316,656	231,739,849	1,419,388,003
Financial liabilities				
Due to related parties	22,689,391	-	-	22,689,391
Short term loans	225,720,047	-	-	225,720,047
Accrued expenses and other liabilities	168,006,729	67,463,137	-	235,469,866
Total	416,416,167	67,463,137	-	483,879,304
Maturity gap	29,593,372	674,175,478	231,739,849	935,508,699
Cumulative maturity gap	29,593,372	703,768,850	935,508,699	-

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Fair value hierarchy

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

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

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

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

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Carrying value	Level 1	Level 2	Level 3	Total
As at 31 December 2020					
Financial assets	-	-	-	-	
Investments - FVTPL	**88,127,562**	-	**88,127,562**	-	**88,127,562**
As at 31 December 2019					
Financial assets	-	-	-	-	
Investments - FVTPL	231,739,849	-	231,739,849	-	231,739,849

As at the reporting year, the carrying values of the financial assets such as advisory income receivables, receivable against portfolio management, receivable against margin lending, due from related parties and other assets approximates their fair values, being short term in nature. Financial liabilities such as due to related parties, short term loans, accrued expenses and other liabilities approximate fair values, being short-term in nature. Investments at fair value through profit or loss is categorized as level 2 investment as the valuation of this investment is driven from the underlying net asset values of the respective funds.

28. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

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

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

	As at 31 December 2020	As at 31 December 2019
	(SAR in 000)	(SAR in 000)
Tier 1 capital	**835,458**	897,603
Minimum capital requirement:		
Market risk	**15,578**	14,452
Credit risk	**286,235**	267,329
Operational risk	**84,972**	82,278
Total minimum capital required	**386,785**	364,059
Capital adequacy ratio:		
Total capital ratio (times)	**2.16**	2.47
Tier 1 capital ratio (times)	**2.16**	2.47
Surplus in capital	**448,673**	533,544

28. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY (continued)

Capital base of the Company comprise of:

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves and adjustments towards remeasurement reserve for employee's EOSB as per Article 4 of the Rules.
- There is no Tier-2 capital for the year ended 31 December 2020.

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

29. SUBSEQUENT EVENTS

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

30. DIVIDEND DISTRIBUTION

During the year, SAR 243,966,387 was paid by the Company as dividend relating to 2019.

31. COVID-19

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government. Recently, a number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved multiple vaccines and has begun administering it to the masses during 2021.

The Company however continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures at a granular level. The Company's operations have been resilient during the pandemic year and the Company was able to offer uninterrupted services to its clients and maintain day to day business operations. The management continues to monitor the ongoing situation closely although at this time management is not aware of any factors that are expected to have any potential impact on its financial performance during 2021.

(Amount in Saudi Riyal)

32. CORRESPONDING FIGURES

For the purpose of better presentation, certain reclassification has been made in these financial statements. The detail of reclassification is as follows:

Statement	Description	As previously reported as on 31 December 2019	Effect of reclassification	Amount reported as on 31 December 2019
Statement of financial position	Cash and cash equivalents	457,980,727	(110,662,206)	347,318,521
Statement of financial position	Accrued expense and other liabilities	(346,132,072)	110,662,206	(235,469,866)

33. BOARD OF DIRECTORS' APPROVAL

The financial statements have been approved by the Board of Directors of the Company on 16 Sha'ban 1442H (corresponding to 29 March 2021).