

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE PERIOD FROM DECEMBER 12, 2019 TO  
DECEMBER 31, 2020**

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Financial statements**  
**For the period from December 12, 2019 to December 31, 2020**

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## *Independent auditor's report to the shareholder of Natixis Saudi Arabia Investment Company (A Saudi Closed Joint Stock Company)*

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### *Our opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Natixis Saudi Arabia Investment Company (the "Company") as of December 31, 2020, and its financial performance and its cash flows for the period from December 12, 2019 to December 31, 2020 in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

### **What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of income and other comprehensive income for the period from December 12, 2019 to December 31, 2020;
- the statement of changes in shareholder's equity for the period from December 12, 2019 to December 31, 2020;
- the statement of cash flows for the period from December 12, 2019 to December 31, 2020; and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### **Independence**

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's 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 is responsible for overseeing the Company's financial reporting process.

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## Independent auditor's report to the shareholder of Natixis Saudi Arabia Investment Company (continued)

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

### PricewaterhouseCoopers

Ali A. Alotaibi  
License Number 379



March 30, 2021

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash at bank	3	44,876,034
Due from related party	13	5,287,319
Prepayments and other receivables	4	<u>383,415</u>
<b>Total current assets</b>		<u><b>50,546,768</b></u>
<b>Non-current asset</b>		
Fixtures and furniture	5	<u>36,487</u>
<b>Total assets</b>		<u><b>50,583,255</b></u>
<b>Liabilities and shareholder's equity</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued and other current liabilities	6	379,580
Due to a related party	13	1,465,798
Income tax provision	7	<u>-</u>
<b>Total current liabilities</b>		<u><b>1,845,378</b></u>
<b>Non-current liability</b>		
Employees end of service benefits ("EOSB")	8	<u>85,455</u>
<b>Total non-current liability</b>		<u><b>85,455</b></u>
<b>Total liabilities</b>		<u><b>1,930,833</b></u>
<b>Shareholder's equity</b>		
Share capital	9	50,000,000
Statutory reserve	10	-
Accumulated losses		<u>(1,347,578)</u>
<b>Total shareholder's equity</b>		<u><b>48,652,422</b></u>
<b>Total liabilities and shareholder's equity</b>		<u><b>50,583,255</b></u>
<b>Contingencies and commitments</b>	11	-

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Statement of income and other comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the period from December 12, 2019 to December 31, 2020
<b>Revenue</b>		
Income from service support fee	13	5,287,319
<b>Operating expenses</b>		
Salaries and employee related benefits		3,092,250
Expense related to Master Service Agreement	13	1,366,501
General and administrative expenses	12	2,298,133
Depreciation	5	18,638
		(6,775,522)
<b>Operating loss</b>		<b>(1,488,203)</b>
<b>Other income</b>		
Special commission income on term deposits		140,625
<b>Loss before income tax</b>		<b>(1,347,578)</b>
Income tax charge	7	-
<b>Net loss for the period</b>		<b>(1,347,578)</b>
Other comprehensive income for the period		-
<b>Total comprehensive loss for the period</b>		<b>1,347,578</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Statement of changes in shareholder's equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses	Total
<b>As at December 12, 2019</b>	<b>50,000,000</b>	-	-	<b>50,000,000</b>
Net loss for the period	-	-	<b>(1,347,578)</b>	<b>(1,347,578)</b>
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive loss for the period</b>			<b>(1,347,578)</b>	<b>(1,347,578)</b>
<b>December 31, 2020</b>	<b>50,000,000</b>	-	<b>(1,347,578)</b>	<b>48,652,422</b>

The accompanying notes from 1 to 18 form an integral part of these financial statements.

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	<b>For the period from December 12, 2019 to December 31, 2020</b>
<b>Cash flow from operating activities</b>		
Loss before income tax		<b>(1,347,578)</b>
<u>Adjustments for non-cash charges and other items:</u>		
Depreciation	5	18,638
Provision for employees' EOSBs	8	85,455
<u>Changes in operating assets and liabilities</u>		
Prepayments and other receivables		(383,415)
Due from related party		(5,287,319)
Accrued and other current liabilities		379,580
Due to related party		1,465,798
Net cash utilised in operating activities		<u><b>(5,068,841)</b></u>
<b>Cash flow from investing activity</b>		
Purchase of fixtures and furniture	5	(55,125)
Cash utilised in investing activity		<u><b>(55,125)</b></u>
<b>Cash flow from financing activity</b>		
Proceeds from issuance of shares		50,000,000
Cash generated from financing activity		<u><b>50,000,000</b></u>
<b>Net change in cash and cash equivalents</b>		<b>44,876,034</b>
Cash at bank at the beginning of the period		<u>-</u>
<b>Cash at bank at the end of the period</b>	3	<u><b>44,876,034</b></u>

The accompanying notes from 1 to 18 form an integral part of these financial statements.



**NATIXIS SAUDI ARABIA INVESTMENT COMPANY (NSAIC)  
(A Saudi Closed Joint Stock Company)  
Notes to the financial statements for the period ended December 31, 2020  
(All amounts in Saudi Riyals unless otherwise stated)**

**1 General information**

Natixis Saudi Arabia Investment Company is a Saudi Closed Joint Stock Company. The Company was registered as a Saudi Closed Joint Stock Company in the Kingdom of Saudi Arabia under Commercial Registration number 1010616683 issued in Riyadh on Rabi II 14, 1441H (corresponding to December 12, 2019) and the Capital Market Authority (“CMA”) license number 19205-31 dated Muharam 25, 1441H (corresponding to September 24, 2019).

As per the By-laws of the Company, the Company’s first fiscal period under legal status of a Saudi Closed Joint Stock Company will be from the date of commercial registration as a Saudi Closed Joint Stock Company i.e. December 12, 2019 and shall end on December 31 of the following year i.e. December 31, 2020. The Company’s statutory financial statements for the subsequent years will be prepared from January 1 to December 31 of each Gregorian year.

The Company’s registered office is located at 18<sup>th</sup> Floor, Al Faisaliah Tower, Riyadh, Kingdom of Saudi Arabia. The Company is a 100% subsidiary of Natixis SA, a company registered in France.

The objectives of the Company are to provide corporate finance advisory services, conduct dealing (as an underwriter) and arranging services.

The accompanying financial statements were authorized for issue by the Board of Directors of the Company on March 30, 2021.

**2 Summary of significant accounting policies**

The principal accounting policies applied for the preparation of financial statements of the Company are set out below.

**2.1 Basis of compliance**

**(a) Statement of compliance**

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

**(b) Historical cost convention**

These financial statements have been prepared:

- under the historical cost convention except for employees’ end of service benefits (EOSBs) carried at present value using Projected Unit Credit Method
- using accrual basis of accounting

**(c) Functional and presentation currency**

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

**(d) New standard and interpretation issued but not yet effective**

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

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(All amounts in Saudi Riyals unless otherwise stated)**

**2.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results.

There are no critical estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

**2.3 Cash and cash equivalents**

Cash and cash equivalents include bank accounts maintained with Saudi British Bank “SABB” and is carried in the statement of financial position at amortised cost. For the purpose of statement of cash flows, cash and cash equivalent include cash at bank and term deposits with original maturity of three months or less on the date of acquisition, if any.

**2.4 Accounts receivables**

Accounts receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Accounts receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against “General and administrative expenses”.

**2.5 Financial instruments**

**2.5.1 Classification and measurement of financial assets**

**2.5.1.1 Initial recognition and measurement**

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

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

**2.5.1.2 Classification and subsequent measurement of financial assets**

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

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

Debt instruments

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

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Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

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

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

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

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

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

*Amortised cost*

Assets that are held for collection of contractual cash flows where those cash flows represent SPPP, and that are not designated at FVSI, are measured at amortised cost.

*Fair value through statement of income (FVSI)*

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

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*Fair value through other comprehensive income (FVOCI)*

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

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

Currently, deposit with bank, accounts receivable and other receivables are carried at amortised cost.

Equity instruments

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

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

**2.5.2 Impairment of financial assets**

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

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

The financial assets of the Company, which are subjected to ECL review include bank balances, accounts receivable and other receivables.

The impact of ECL on the financial assets of the Company is immaterial.

A significant exposure of the Company is held as placement with the Bank which has a sound credit rating as at the reporting date and the Company considers that it has low credit risk. The rating of the Bank as at December 31, 2020 was "A1" as per Moody's credit rating.

### **2.5.2.1 Stages of Impairment under IFRS 9**

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

#### *Stage 1 - Performing financial assets*

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

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

#### *Stage 2 - Financial Assets with significant increase in credit risk*

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

#### *Stage 3 - Credit impaired financial assets*

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

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

### **2.5.3 Financial liabilities**

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

Subsequently, all special commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

### **2.5.4 Fair valuation of financial instruments**

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

All 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

#### **2.5.5 Derecognition of financial instruments**

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

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

#### **2.5.6 Offsetting of financial instruments**

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

#### **2.6 Fixtures, furniture and right-of-use asset**

Fixtures and Furnitures are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on fixtures and furnitures so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets.

Depreciation is charged to the statement of income over the following estimated economic useful lives:

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	<b>Number of years</b>
Office equipment	3

Full month depreciation/amortization is charged in the month of addition while no depreciation/amortization is charged in the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of income.

#### **2.7 Impairment of non-current assets**

The Company reviews its non-current assets for impairment at each reporting date 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 costs to sell or value-in-use.

Non-current assets that suffer impairment loss are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount is reversed (except for goodwill) and recorded as income in the statement of income in the year/period in which such reversal is determined.

#### **2.8 Accrued and other current liabilities**

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

#### **2.9 Employees' end of service benefits (EOSBs)**

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

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

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

Past service costs are recognized in the statement of income on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

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

#### **2.10 Provisions**

Provisions are recognized when; the Company has a present legal or constructive obligation 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 the amount can be estimated reliably.

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**2.11 Income Taxes**

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

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

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

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

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

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

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

*Value added tax ("VAT")*

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

VAT that is not recoverable is charged to the statement of income as expense.

**2.12 Revenues**

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

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

Based on the five-step model, the revenue recognition policies for the various revenue streams are as follows:

*Advisory services*

Income from advisory services is recognised based on services rendered as being complete in accordance with the underlying agreement / contract using the five-step approach to revenue recognition above.

Normally revenue recognition of retainer fees is recognized over a period of time, in case if an advance payment is received to perform future obligations. Generally, it is linked to timing of performance obligation. For example, monthly, quarterly, etc. In that case the income from retainer fees is to be recognized on timely basis.

In some cases, accrual of the retainer fees is linked to agreed milestones. If the terms of retainer fees are linked to such performance obligations, then upon satisfaction of such performance obligations, that is, on fulfilment of terms as per the contract with the customers.

Success fees, as the name indicates, the revenue is recognised upon fulfilment of performance obligations. For example, achievement of certain objectives as a financial advisor.

*Arranging services*

Income from arranging services is recognised on an accrual basis when the agreed services are provided.

*Special commission income*

Special commission income is recognised on an accrual basis based on effective commission rate method.

*Income from Service Level agreement / Master Service agreement*

The entity enters into transactions with another company that falls within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties comprise of companies/entities under common ownership and/or common management control and key management personnel. The management decides on the terms and conditions of transactions and of services received/rendered from/to related parties as well as other charges.

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**2.13 Leases**

Rental contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. 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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in statement of of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

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*Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

**2.14 Foreign currency translations and balances**

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of income, within finance costs. All other foreign exchange gains and losses are presented in the statement of income on a net basis within other gains / (losses), if any.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVSI are recognised in statement of income as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in other comprehensive income.

**2.15 Trade date accounting**

All regular way purchases and sales of financial instruments are recognized and derecognized on the trade date. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the time frame generally established by regulation or convention in the market place. For financial instruments held at fair value, the Company accounts for any change in fair values between the trade date and the reporting date.

**3 Cash at bank**

	Note	As at December 31, 2020
Cash at bank - current account	3.1	<u>44,876,034</u>
		<u>44,876,034</u>

**3.1** Cash at bank is maintained with SABB.

**4 Prepayments and other receivables**

	As at December 31, 2020
Prepaid license fees	275,916
Prepaid insurance	14,632
Office deposit	35,460
Other receivables	<u>57,407</u>
	<u>383,415</u>

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**5 Fixtures and furniture**

	<b>Office equipment</b>	<b>Total</b>
<b>2020</b>		
<b>Cost</b>		
As at December 12, 2019	-	-
Additions during the period	<u>55,125</u>	<u>55,125</u>
As at December 31, 2020	<u>55,125</u>	<u>55,125</u>
<b>Accumulated depreciation</b>		
As at December 12, 2019	-	-
Charge for the period	<u>18,638</u>	<u>18,638</u>
As at December 31, 2020	<u>18,638</u>	<u>18,638</u>
<b>Net book value</b>		
<b>As at December 31, 2020</b>	<u><u>36,487</u></u>	<u><u>36,487</u></u>

**6 Accrued and other current liabilities**

	<b>As at December 31, 2020</b>
Accrued bonus and other employee cost	<b>161,909</b>
Accrued professional fees	<b>120,965</b>
Board of Director payables	<b>64,183</b>
Other accrued expenses	<u><b>32,523</b></u>
	<u><b>379,580</b></u>

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**7 Income taxation**

**7.1 Computation of taxable income and income tax**

	<b>For the period from December 12, 2019 to December 31, 2020</b>
Loss for the period before tax	<b>(1,347,578)</b>
Adjustments:	
Accounting depreciation	<b>18,638</b>
Life insurance	<b>17,430</b>
Provision for employees' EOSB (Note 10)	<b>85,450</b>
Tax expense	<b>33,370</b>
Less: Allowable deductions	
Depreciation per GAZT scale rates	<b>(6,891)</b>
Adjusted income	<b>(1,199,581)</b>
Net taxable loss	<b>(1,199,581)</b>
Tax rate	<b>20%</b>
Provision for taxation	<b>-</b>

**8 Employees' end of service benefits (EOSBs)**

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

	<b>December 31, 2020</b>
Opening balance	<b>-</b>
Current service cost	<b>85,455</b>
Interest expense	<b>-</b>
Payments	<b>-</b>
Closing balance	<b>85,455</b>

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**9 Share capital**

The authorized and paid up share capital of the Company is divided into 5,000,000 shares of Saudi Riyals 10 each. The shareholding of the Company for the year ended December 31 2020 is as follows:

<b>Shareholder</b>	<b>Country of origin</b>	<b>Shareholding</b>	<b>Amount</b>
Natixis SA	France	<u>100%</u>	<u>50,000,000</u>
		<u>100%</u>	<u>50,000,000</u>

**10 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the net income is required to be transferred to statutory reserve until the reserve equals at least 30% of the share capital of the Company.

The Company has incurred a net loss for the period ended December 31, 2020 amounting to Saudi Riyals 1,347,578, therefore, no transfer to statutory reserve has been made. Transfers will be made once the accumulated losses have been exhausted.

**11 Contingencies and commitments**

**11.1** There were no contingencies as at December 31, 2020.

**12 General and administrative expenses**

	<b>For the period from December 12, 2019 to December 31, 2020</b>
Professional fees	1,155,349
Rentals	782,730
Recruitment	118,800
Travel services	84,425
Registration and license fees	89,109
Withholding taxes and bank charges	40,177
Others	<u>27,543</u>
	<u><b>2,298,133</b></u>

**13 Related party transaction and balance**

**13.1 Related party transactions**

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

	<b>For the period from December 12, 2019 to December 31, 2020</b>
Non-operating income	<u>-</u>
Income from service level agreement	<u>5,287,319</u>
Expense related to Master Service Agreement	<u>(1,366,501)</u>
Expenses related to recharge from a related party	<u>(99,297)</u>
	<u><b>(1,465,798)</b></u>
Compensation to key management personnel	<u><b>2,349,267</b></u>

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*Service Level Agreement*

The Company has entered into a Service Level Agreement with a related party, the conditions upon which it agrees to provide the related party client relationship management services in relation to Global Market activities. In consideration of services provided to related party, the Company will recharge an amount equal to the total amount of costs and expenses incurred in the performance of service plus a 15% margin.

*Master Service Agreement*

The Company has outsourced certain support function services to a related party as per the master service agreement between the two entities. The outsourced services include finance, information technology, human resources, operations and other support services. The costs are agreed and allocated based on terms of the said agreements and are payable annually in arrears. The cost agreed for these outsourced services amount to Saudi Riyals 1,366,501 for the period ended December 31, 2020.

**13.2 Related party balances**

	<b>December 31, 2020</b>
Due from related party - (Group Company)	<u>5,287,319</u>
Due to related party – (Group Company)	<u>(1,465,798)</u>

**14 Financial risk management**

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commission rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further, quantitative disclosures are included throughout these financial statements.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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**14.1 Market risk**

**a) Foreign exchange risk**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

*Exposure:*

The currency conversion rate between the United States Dollars (“USD”) and Saudi Riyals is pegged and has remained constant over the past several years. Currency risk arises on Company’s transactions denominated in Euro, Bahraini Dinar, Pound Sterling, and United Arab Emirates Dirham.

The Company does not hedge against foreign currency risk.

*Sensitivity:*

**b) Commission rate risk**

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows.

*Exposure:*

The Company’s commission rate risks arise mainly from its term deposits which are at floating rate of commission and are subject to re-pricing on a regular basis. Management monitors the changes in commission rates.

<b>Commission rate risk</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>Over 1 year</b>	<b>Non commission bearing</b>	<b>Total</b>
<b>December 31, 2020</b>					
<b>Assets</b>					
Cash at bank	-	-	-	44,876,034	44,876,034
Due from a related party	-	-	-	5,287,319	5,287,319
<b>Total financial assets</b>	-	-	-	<b>50,163,353</b>	<b>50,163,353</b>
<b>Liabilities</b>					
Due to related party	-	-	-	(1,465,798)	(1,465,798)
Accrued and other current liabilities	(379,580)	-	-	-	(379,580)
<b>Total financial liabilities</b>	<b>(379,580)</b>			<b>(1,465,798)</b>	<b>(1,845,378)</b>
<b>Cumulative commission rate sensitivity gap</b>	<b>(379,580)</b>	-	-	<b>48,697,555</b>	<b>48,317,975</b>

**c) Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as there are no financial assets held by the Company which are carried at fair value.



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**14.2 Credit risk**

Credit risk is the risk that one party to the agreement will fail to discharge its obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk from its operating activities (pertaining to cash and cash equivalents, accounts receivable, due from related party and other receivables). Outstanding accounts receivables are regularly monitored, and any credit concerns highlighted to senior management. The cash at bank is with a low credit risk bank therefore no expected credit loss is booked.

**Credit quality analysis**

The following table sets out the credit analysis for financial assets as at December 31, 2020.

<b>Financial assets</b>	<b>Investment grade</b>	<b>Non-investment grade</b>	<b>Unrated</b>	<b>Total</b>
<b>As at December 31, 2020</b>				
Cash at bank	<b>44,876,034</b>	-	-	<b>44,876,034</b>
<b>Total</b>	<b>44,876,034</b>	-	-	<b>44,876,034</b>

**14.3 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>As at December 31, 2020</b>				
<b>Due to related party</b>	1,465,798	-	-	1,465,798
Accrued and other current liabilities	379,580	-	-	379,580
	<b>1,845,378</b>	-	-	<b>1,845,378</b>

**14.4 Capital risk management**

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensuration with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy working, refer to Note 14.4.1.

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**14.4.1 Capital Adequacy Requirement**

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

	<b>Saudi Riyals in thousands</b>
	<b>As at December 31, 2020</b>
<b>Capital base</b>	
Tier-I Capital	48,652
Tier-II Capital	-
<b>Total capital base</b>	<b>48,652</b>
<b>Minimum capital requirement</b>	
Market Risk	-
Credit Risk	6,751
Operational Risk	3,946
<b>Total minimum capital requirement</b>	<b>10,697</b>
<b>Capital Adequacy Ratio</b>	
Total capital ratio (times)	4.55
Surplus in capital	37,956

- (a) The above information has been extracted from the Company's Capital Adequacy Model for the period from January 1, 2020 to December 31, 2020 to be submitted to CMA.
- (b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit and Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
- (c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

**14.5 Operational risk**

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

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

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

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**15 Fair value estimation**

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

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

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

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

**NATIXIS SAUDI ARABIA INVESTMENT COMPANY (NSAIC)**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the financial statements for the period ended December 31, 2020**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**16 Financial instruments by category**

All financial assets and financial liabilities for the year ended December 31, 2020 are classified under amortised cost category.

	<b>Measurement category</b>	<b>As at December 31, 2020</b>
<b>Financial assets</b>		
Cash at bank	Amortised cost	<b>44,876,034</b>
Due from related party	Amortised cost	<b>5,287,319</b>
Prepayments and other receivables	Amortised cost	<b>383,415</b>
		<hr/>
<b>Total financial assets</b>		<b>50,546,768</b>
		<hr/>
<b>Financial liabilities</b>		
Accrued and other current liabilities	Amortised cost	<b>379,580</b>
Due to related party	Amortised cost	<b>1,465,798</b>
		<hr/>
<b>Total financial liabilities</b>		<b>1,845,378</b>
		<hr/>

**17 Subsequent events**

There have been no significant events after the date of the statement of financial position.

**18 Impact of COVID 19**

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

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

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