

**STANDARD CHARTERED CAPITAL
SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)**

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

31 DECEMBER 2020

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2020

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Independent Auditor's Report
To the Shareholder of Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed unmodified opinion dated 6 Sha'aban 1441H (corresponding to 30 March 2020) on those financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and 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.

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

Independent Auditor's Report

**To the shareholder of Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company) (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

To the shareholder of Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

For Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. 277



Riyadh: 18 Sha'aban 1442H
(31 March 2021)

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 SR	31 December 2019 SR
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	6	663,936	384,121
Right-of-use asset	7	707,042	1,267,642
Deferred tax assets	13	3,603,131	3,824,277
TOTAL NON-CURRENT ASSETS		4,974,109	5,476,040
CURRENT ASSETS			
Trade receivables	8	-	4,135,398
Prepayments and other receivables	9	565,823	707,230
Due from related parties	11	49,501,813	17,044,218
Cash and cash equivalents	10	268,405,798	94,155,674
TOTAL CURRENT ASSETS		318,473,434	116,042,520
TOTAL ASSETS		323,447,543	121,518,560
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	15	100,000,000	100,000,000
Statutory reserve	16	5,434,861	5,174,517
Retained earnings		2,401,436	2,858,345
Other reserve		(180,235)	12,165
TOTAL SHAREHOLDER'S EQUITY		107,656,062	108,045,027
LIABILITIES			
NON-CURRENT LIABILITIES			
Employees' end of service benefits obligation	14	742,500	563,200
Lease liability non-current	7	-	512,642
TOTAL NON-CURRENT LIABILITIES		742,500	1,075,842
CURRENT LIABILITIES			
Due to related parties	11	206,001,958	8,111,029
Accrued expenses and other payables	12	4,135,747	1,764,262
Dividends payable	15	3,900,000	1,100,000
Lease liability – current	7	553,206	553,206
Income tax payable	13	458,070	869,194
TOTAL CURRENT LIABILITIES		215,048,981	12,397,691
TOTAL LIABILITIES		215,791,481	13,473,533
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		323,447,543	121,518,560

The attached notes 1 to 25 form an integral part of these financial statements.

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	31 December 2020 SR	31 December 2019 SR
OPERATING INCOME			
Service fees	17	17,588,326	9,222,790
Arranging fees	17	2,774,518	3,488,855
TOTAL OPERATING INCOME		20,362,844	12,711,645
OPERATING EXPENSES			
General and administration expenses	18	(18,070,169)	(9,034,250)
NET OPERATING INCOME		2,292,675	3,677,395
Other income	19	994,794	2,257,716
NET PROFIT BEFORE TAX		3,287,469	5,935,111
Current income tax	13	(462,888)	(993,273)
Deferred tax	13	(221,146)	(587,128)
NET PROFIT FOR THE YEAR		2,603,435	4,354,710
<u>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</u>			
Re-measurement loss on employees end of service benefits obligation	14	(192,400)	(34,900)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(192,400)	(34,900)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,411,035	4,319,810

The attached notes 1 to 25 form an integral part of these financial statements.

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 December 2020

	Share Capital SR	Statutory reserve SR	Other reserve SR	Retained earnings SR	Total SR
Balance at 1 January 2019	100,000,000	4,739,046	47,065	(1,060,894)	103,725,217
Net profit for the year	-	-	-	4,354,710	4,354,710
Other comprehensive loss for the year	-	-	(34,900)	-	(34,900)
Total comprehensive income for the year	-	-	(34,900)	4,354,710	4,319,810
Transfer to statutory reserve	-	435,471	-	(435,471)	-
Balance at 31 December 2019	<u>100,000,000</u>	<u>5,174,517</u>	<u>12,165</u>	<u>2,858,345</u>	<u>108,045,027</u>
Balance at 1 January 2020	100,000,000	5,174,517	12,165	2,858,345	108,045,027
Net profit for the year	-	-	-	2,603,435	2,603,435
Other comprehensive loss for the year	-	-	(192,400)	-	(192,400)
Total comprehensive income for the year	-	-	(192,400)	2,603,435	2,411,035
Transfer to statutory reserve	-	260,344	-	(260,344)	-
Dividends (see note 15)	-	-	-	(2,800,000)	(2,800,000)
Balance at 31 December 2020	<u>100,000,000</u>	<u>5,434,861</u>	<u>(180,235)</u>	<u>2,401,436</u>	<u>107,656,062</u>

The attached notes 1 to 25 form an integral part of these financial statements.

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	SR	SR
OPERATING ACTIVITIES			
Net profit before tax		3,287,469	5,935,111
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation of right-of-use assets	7	560,600	560,600
Amortization of intangible assets	6	233,187	89,341
Provision of employees' end of service benefit expense	14	114,600	114,100
Finance cost	7	41,758	67,428
<i>Working capital adjustments</i>			
Trade receivables	8	4,135,398	5,777
Due from related parties	11	(32,457,595)	(12,713,722)
Prepayments and other assets	9	,141,408	21,103
Accrued expenses and other payables	12	2,371,484	(864,437)
Due to related parties	11	197,890,929	3,584,998
Net cash flows from / (used in) operations		176,319,238	(3,199,701)
Income tax paid	13	(874,012)	(129,670)
Employees' end of service benefits paid	14	(127,700)	(15,100)
Net cash flow from / (used in) operating activities		175,317,526	(3,344,471)
INVESTING ACTIVITY			
Additions of intangible assets	6	(513,002)	(473,462)
Cash flow used in investing activity		(513,002)	(473,462)
FINANCING ACTIVITY			
Payment of lease liability	7	(554,400)	(554,400)
Cash flow used in financing activity		(554,400)	(554,400)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT DURING THE YEAR			
		174,250,124	(4,372,233)
Cash and cash equivalents at the beginning of the year	10	94,155,674	98,528,007
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		268,405,798	94,155,674
<u>Significant non-cash transaction:</u>			
Re-measurement loss of employees' end-of-service benefits obligation	14	(192,400)	(34,900)

The attached notes 1 to 25 form an integral part of these financial statements.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

1 ACTIVITIES

Standard Chartered Capital Saudi Arabia Company (“the Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010289274 dated 19 Jumad Al-Awal 1431H (corresponding to 2 June 2010).

The principal activities of the Company are to provide principal, underwriting, arranging, advising and keeping custody of financial securities pursuant to its Capital Market Authority (“CMA”) license number 09144-37, dated 11 Muharram 1431H (corresponding to 28 December 2009) in accordance with the Saudi Arabia General Investment Authority (“SAGIA”) license no. 102031026237 dated 2 Safar 1431H (corresponding to 17 January 2010). The Company’s registered office is located at the following address:

7th Floor, Al Faisaliah Tower
P.O. Box 29552
Riyadh 11351
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organisation for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern assumption concept, except for the valuation of employee end of service benefits liability, which are measured using projected credit unit method.

These financial statements are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Company.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the financial statements. 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 periods.

Judgements

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in these financial statements:

Going concern

The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of employees' benefits obligation

The cost of the end-of-service and ex-gratia benefits ("employee benefits") under defined unfunded benefit plans is determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. Further details about employee benefits liabilities are provided in note 14.

Recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. These losses relate to a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Company.

4 SIGNIFICANT ACCOUNTING POLICIES

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of bank balances and short-term deposits that have an original maturity of three months or less.

Financial instruments

Initial recognition

The Company records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Company classifies its financial assets under the following categories:

- fair value through profit or loss ("FVPL");
- fair value through other comprehensive income ("FVOCI"); and
- amortised cost

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. 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 FVOCI.

The Company classifies all non-derivative financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVPL.

The Company designates a non-derivative financial liability at FVPL if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

De-recognition (continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities (including due from and to related parties) are not offset and shown on gross amount basis on the statement of financial position as there is no enforceable legal right to offset and there is no intention to settle it on a net basis or not to realise the assets and settle the liabilities, simultaneously.

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 must be accessible by the Company.

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

When measuring the fair value of an asset or a 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 assets or liabilities 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 input).

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with finite useful lives are amortized using straight-line method over their estimated useful lives as follows:

Computer software	3-5 years
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Intangible asset is amortised over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognised in the profit or loss when the asset is derecognized.

Property and equipment

Property and equipment, except for capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the items if the recognition criteria is met.

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

Subsequent expenditure 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. Normal expenditures for repair and maintenance are charged to the statement of income.

Capital work in progress are stated at cost less accumulated impairment loss, if any. Capital work in progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property and equipment upon completion.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In case of reversal of impairment loss, impairment loss is recognised in statement of income to the extent that, what the depreciated historical cost would have been if the impairment had not been recognised.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixture and office equipment	3 years
Motor vehicles	3 years

Leases and Right of use assets

For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

Right of Use Assets

The Company applies the cost model, and measures right of use assets at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any re-measurement of the lease liability for lease modifications.

Standard Chartered Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases and Right of use assets (continued)

Right of Use Assets (continued)

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the Right of use assets value.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- a) Increasing the carrying amount to reflect incremental financing rate on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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. Low-value assets comprise small items relating to office equipment.

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.

Impairment

Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as commission expense.

Employees' benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits obligation

The Company provides end of service benefits to its employees in accordance with the requirements of Articles 87 and 88 of the Saudi Arabian Labour Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period. The employee benefits obligation plan is not funded. The valuation of the obligation under those plans is carried out by an independent actuary based on the projected unit credit method.

The liability recognised in the statement of financial position is the present value of the employees' benefits obligation at the end of the reporting period. The employees' benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the employees' benefits obligation is determined by discounting the estimated future cash outflows using special commission rates of US AA-rated corporate bond yields.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss as employee cost while the unwinding of the liability at discount rates used is recorded in profit or loss as financial charges. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement and recorded in the other comprehensive income.

Post-employment benefits obligation

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Re-measurement are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit and loss as past service costs.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory reserve

In accordance with the Company's By-Laws and Companies' Law, the Company must set aside 10% of its income after zakat and income tax in each year until it has built up a reserve equal to 30% of its capital. The reserve is not available for distribution.

Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

- a. *Arranging fee income* is recognised in the accounting period in which the services are rendered based on the applicable service contracts.
- b. *Service fee income* is recognised in the accounting period in which the services are rendered based on the applicable contracts as below:

Revenue from transfer pricing

This represent an amount generated from Standard Chartered Bank (SCB), UK Transfer Pricing Agreement whereby costs incurred throughout the year are reimbursed at a 10% markup (i.e. Cost plus 10%) except for SCB internally recharged direct and indirect costs as internally recharged costs are reimbursed at cost (i.e. Cost at 100%) as per the Transfer Pricing Guidelines to ensure that account management entities achieve a minimum arm's length profit commensurate with the value generated for the SCB network. The performance obligation is satisfied when cost incurred and this to be claimed from Standard Chartered Bank, UK and represent a balance due from a related party.

Expenses

General and administrative expenses include direct and indirect costs not specifically forming part of operating costs.

Income tax and value-added tax ("VAT")

Current

Income tax, computed in accordance with Saudi Arabian tax regulations, is accrued and charged to statement of profit or loss. Under Saudi Arabian income tax laws, income tax is the liability of foreign shareholder. Income tax is computed on the foreign shareholder's share of taxable income for the period. The Company is owned by a foreign shareholder, therefore it is liable to the income tax.

Deferred

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward benefits of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax assets and unused tax losses can be utilised, except.

Standard Chartered Capital Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax and value-added tax ("VAT") (continued)

Deferred (continued)

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted in the respective countries at the reporting date.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities, which were not significant for the period, are taken to profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

5.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

5.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues.

Phase (2) – The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR).

Under these temporary exceptions, interbank offered rates (IBOR) are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved. The application of this set of temporary exceptions is mandatory for accounting periods starting on or after 1 January 2020. Significant judgement will be required in determining when uncertainty is expected to be resolved and therefore when the temporary exceptions will cease to apply.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

5.2 STANDARD ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment is not expected to have any impact on the financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

5.2 STANDARD ISSUED BUT NOT YET EFFECTIVE (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

6 INTANGIBLE ASSETS, NET

Intangible assets comprise of software that is amortized on a straight-line basis over an estimated useful life of 3 to 5 years.

	Computer software SR	Work in progress SR	31 December 2020 SR
Cost			
At the beginning of the year	4,256,898	66,714	4,323,612
Additions during the year	513,002	-	513,002
Transfer during the year	16,617	(16,617)	-
At the end of the year	4,786,517	50,097	4,836,614
Accumulated amortization			
At the beginning of the year	3,939,491	-	3,939,491
Amortization charge for the year	233,187	-	233,187
At the end of the year	4,172,678	-	4,172,678
Net book value 31 December 2020	613,839	50,097	663,936
	Computer software SR	Work in progress SR	31 December 2019 SR
Cost			
At the beginning of the year	3,850,150	-	3,850,150
Additions during the year	406,748	66,714	473,462
Transfer during the year	-	-	-
At the end of the year	4,256,898	66,714	4,323,612
Accumulated amortization			
At the beginning of the year	3,850,150	-	3,850,150
Amortization charge for the year	89,341	-	89,341
At the end of the year	3,939,491	-	3,939,491
Net book value 31 December 2019	317,407	66,714	384,121

Standard Chartered Capital Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

7 RIGHT-OF-USE ASSETS, NET / LEASE LIABILITY

The Company has one lease contract representing its office space.

	31 December 2020 SR	31 December 2019 SR
At the beginning of the year	1,267,642	2,087,861
Depreciation charge for the year	(560,600)	(560,600)
Impact of lease modification	-	(259,619)
At the end of the year	707,042	1,267,642
	31 December 2020 SR	31 December 2019 SR
At the beginning of the year	1,065,848	1,812,439
Accretion of interest	41,758	67,428
Payment	(554,400)	(554,400)
Impact of lease modification	-	(259,619)
At the end of the year	553,206	1,065,848
	31 December 2020 SR	31 December 2019 SR
Current portion of the lease	553,206	553,206
Non-current portion of the lease	-	512,642

On the transition date in 2019, the management computed the minimum lease payment based on the existing lease contract. However, upon renewal in May 2019, the annual lease payment was reduced and accounted as lease modification. The Company calculates the present value of the minimum lease payments using the Company's incremental borrowing rate of 4.96% over the lease term and amortises the right-of-use asset using the straight-line method over the lease term and there is no new leases added during the year .

8 TRADE RECEIVABLES

Trade receivables represent receivable from local customers for corporate finance advisory services. These are short-term in nature and determined to be low credit risk. All the amount has been received during 2020.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

9 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020 SR	31 December 2019 SR
Special commission income receivable	141,336	364,000
VAT receivable	132,585	130,875
Prepaid expenses	116,902	153,025
Security deposit	59,330	59,330
Others	115,670	-
	565,823	707,230

10 CASH AND CASH EQUIVALENTS

	31 December 2020 SR	31 December 2019 SR
Bank balances	193,405,798	14,155,674
Short term deposits	75,000,000	80,000,000
	268,405,798	94,155,674

Short term deposit is placed with Standard Chartered Bank - UAE carrying average special commission rate of 0.86%. (31 December 2019: 2.60%), having original maturity of less than three months.

11 RELATED PARTIES TRANSACTIONS AND BALANCES

The Company's shareholder and its affiliates are considered as related parties of the Company. Standard Chartered Bank ("SCB") is the only shareholder and ultimate parent of the Company.

In the ordinary course of business, the Company enters into transactions with related parties, which are based on prices and contract terms approved by the Company's management. SCB, directly and through its affiliates, provides administrative and infrastructure support to the Company as and when required in addition to providing expertise in revenue generating activities partnering in various projects through revenue sharing arrangements. In 2019, SCB and the Company implemented revised transfer pricing arrangements which is cost-plus model. The Company's share in revenue for participating in these projects is included in its revenue as arranging and service fees. As a result of these transactions, the balances with the same related parties are presented on gross basis on the statement of financial position, as there is no enforceable legal right to offset and there is no intention to settle it on a net basis.

Standard Chartered Capital Saudi Arabia Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

11 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

The following shows the composition of the compensation of the Company's key management personnel:

	31 December 2020 SR	31 December 2019 SR
Salaries and other benefits	3,460,712	1,721,613
End of service benefits	71,117	(15,161)
Board remuneration (see note 18)	626,884	414,229
	4,158,713	2,120,681

The following are the details of the significant related party transactions during the year and the related balances at the end of the year:

			Amount of transactions for the year		Balance at end of the year	
	Relationship	Nature of transactions	31 December 2020 SR	31 December 2019 SR	31 December 2020 SR	31 December 2019 SR
<i>Due from related parties</i>						
Standard Chartered Bank, SA	Affiliate	Recharges related receivable	31,699,422	-	31,699,422	-
Standard Chartered Bank, UK Treasury	Affiliate	Revenue	17,588,326	9,222,790	17,731,831	12,713,355
Standard Chartered Bank, MESA Regional Office	Affiliate	Employee-related receivable	-	-	34,928	-
Affiliate Standard Chartered Bank UAE Branch	Affiliate	Revenue	-	-	20,709	20,709
Standard Chartered Bank, UK	Shareholder	Employee-related receivable	-	-	14,923	14,923
Standard Chartered Bank, DIFC Branch	Affiliate	Revenue	-	3,488,855	-	4,295,231
					49,501,813	17,044,218

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

11 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

	Relationship	Nature of transactions	Amount of transactions for the year		Balance at end of the year	
			31 December 2020 SR	31 December 2019 SR	31 December 2020 SR	31 December 2019 SR
<i>Due to related parties</i>						
Standard Chartered Bank, SA	Affiliate	Share capital balance	187,640,750	-	187,640,750	-
Standard Chartered Bank, Singapore DBU	Affiliate	IT expenses	6,274,677	-	10,157,657	-
Standard Chartered Bank, MESA Regional Office	Affiliate	Regional cost recharges	1,972,348	66,017	2,494,236	486,958
Standard Chartered Bank Limited, Singapore DBU	Affiliate	IT expenses	842,524	(15,762)	1,953,174	137,644
Standard Chartered Bank, UK Treasury	Shareholder	Regional cost recharges	1,309,035	2,640	1,897,425	3,206,460
Standard Chartered Bank (Hong Kong) Limited	Affiliate	IT expenses	1,123,763	1,177	1,126,401	2,638
Standard Chartered Bank, UAE Branch	Affiliate	IT expenses	11,727	12,318	322,448	149,766
Standard Chartered Bank Bahrain Branch	Affiliate	Employee expenses	62,918	63,916	170,245	107,327
Standard Chartered Bank, Central Costs – SG	Affiliate	Regional cost recharges	24	-	97,699	97,675
SCOPE International, India	Affiliate	Outsourcing recharges	39,226	-	76,577	-
Standard Chartered Bank, Singapore ACU	Affiliate	Regional cost recharges	75,278	-	62,366	-
SCOPE International, China	Affiliate	IT expenses	841	-	2,980	-
Standard Chartered Bank, Singapore Branch	Affiliate	IT related expenses	-	2,270,505	-	3,882,979
Standard Chartered Global Business Services Company Limited	Affiliate	Outsourcing recharge expense	-	2,251	-	2,253
Standard Chartered Global Business Services Private Limited	Affiliate	Outsourcing recharge expense	-	37,329	-	37,329
					206,001,958	8,111,029

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

12 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020 SR	31 December 2019 SR
Withholding tax payable	1,454,757	51,476
Employee related payables	1,410,237	865,179
Accrued expenses	693,577	180,961
Professional services	534,061	623,534
Other payables	43,115	43,112
	4,135,747	1,764,262

13 CURRENT AND DEFERRED INCOME TAX

a) Provision for income tax

Income tax charge consists of current year provision based on 20% of the taxable profit. Differences between the financial and taxable profit are mainly due to the provisions and depreciation.

b) Movement in taxes payable

	31 December 2020 SR	31 December 2019 SR
At beginning of the year	869,194	5,591
Income tax provision charge for the year	462,888	869,194
Adjustment to prior year provision	-	124,079
Payments during the year	(874,012)	(129,670)
At end of the year	458,070	869,194

c) Deferred tax assets

Deferred tax assets represent deferred taxes relating to temporary differences and carried forward tax losses as follows:

	31 December 2020 SR	31 December 2019 SR
Intangible assets	380,147	375,118
Employees' end of service benefits	114,800	112,640
Carry forward losses	3,108,184	3,336,519
	3,603,131	3,824,277

Management believes that based on its business plan there will be enough taxable profit in the subsequent years from which these deferred tax assets will be utilized. Furthermore, the execution of the new transfer pricing agreement in 2019 which is on a cost-plus basis is expected to provide sufficient taxable income to the Company in the coming years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

13 CURRENT AND DEFERRED INCOME TAX (continued)

c) Deferred tax assets (continued)

The deferred tax asset in the statement of financial position and deferred tax charge in the statement of profit or loss are attributable to the following items:

	1 January SR	Recognized in profit or loss SR	31 December SR
2020			
Intangible assets	375,118	5,029	380,147
Employees' end of service benefits	112,639	2,160	114,799
Carry forward losses	3,336,520	(228,335)	3,108,185
	<u>3,824,277</u>	<u>(221,146)</u>	<u>3,603,131</u>
2019			
Intangible assets	440,572	(65,454)	375,118
Employees' end of service benefits	85,859	26,780	112,639
Carry forward losses	3,884,974	(548,454)	3,336,520
	<u>4,411,405</u>	<u>(587,128)</u>	<u>3,824,277</u>

d) Status of tax assessments

The Company has filed its income tax returns for the years ended 31 December 2010 to 2019. Up to now, there has been no tax assessment raised by the General Authority Zakat and Tax ("GAZT"). However, GAZT requested certain additional information related to taxable year 2015 and 2018 of which information has been submitted by the Company. No further correspondence has been received from GAZT.

Also, the Company was assessed by the GAZT of additional withholding tax of SR 0.10 million for years 2010-2012. The Company has appealed and escalated to the General Secretariat of Tax Committees and now waiting for updates.

14 EMPLOYEES' END-OF-SERVICE BENEFITS OBLIGATION

The Company operates an end of service benefit plan for its staff based on the prevailing Saudi Arabian Labor Law.

a) Changes in Employees' end of Service Benefit Obligation:

	31 December 2020 SR	31 December 2019 SR
At the beginning of the year	563,200	429,300
Current service cost	101,300	98,900
Interest expense	13,300	15,200
End of service benefits expense recognized in profit or loss	114,600	114,100
Re-measurement loss recognised in other comprehensive income	192,400	34,900
Benefits paid during the year	(127,700)	(15,100)
Balance at the end of the year	<u>742,500</u>	<u>563,200</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

14 EMPLOYEES' END-OF-SERVICE BENEFITS OBLIGATION (continued)

b) Re-measurement loss recognized in other comprehensive income for the year is as follows:

	31 December 2020 SR	31 December 2019 SR
Effect of change in demographic assumptions	120,200	-
Effect of change in financial assumptions	72,900	34,400
Effect of experience adjustments	(700)	500
Re-measurement losses recognised in other comprehensive income	192,400	34,900

c) Assumptions used and risks

	31 December 2020 SR	31 December 2019 SR
Discount rate	1.5%	2.5%
Expected annual salary increment	3.7%	3.7%

During 2020, the discount rate has been reduced to 1.5% to reflect the current market yields of sovereign bonds considering the average duration of the obligation.

d) Sensitivity Analysis

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming all other assumptions are held constant:

		Increase (decrease) in employee's end of benefit obligation	
		31 December 2020 SR	31 December 2019 SR
Discount rate	+1%	(20,052)	(7,132)
	-1%	20,985	7,501
Increments	+1%	20,478	7,491
	-1%	(19,686)	(7,156)

e) The maturity profile of the obligation is as follows:

	31 December 2020 SR	31 December 2019 SR
Expected distribution of timing of benefit payments:		
Year 1	61,319	65,000
Year 2	70,097	73,600
Year 3	79,601	82,700
Year 4	86,716	86,500
Year 5	92,528	90,000
More than 5 years	513,456	411,100

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15 SHARE CAPITAL AND DIVIDENDS

The authorized, issued and fully paid share capital of the Company consists of 10 million shares of SR 10 each (2019: 10 million shares of SR 10 each). The ownership of the Company's share capital is as follows as at 31 December 2020 and 2019:

	Number of shares	% of ownership	Amount SR
Standard Chartered Bank (SCB UK)	10,000,000	100%	100,000,000

On 30 June 2020, the Company held its Ordinary General Assembly ("OGA") meeting where dividend was approved and declared in respect to the financial year 2019 amounting to SR 2.8 million (SR 0.28 per share). Further, on 12 September 2018, the Company's Board of Directors and shareholder held its Extraordinary General Assembly ("EGA") meeting where dividends amounting to SR 1.1 million (SR 0.11 per share) were declared and approved and as at 31 December 2020 and 2019, this dividends are outstanding and not yet paid.

16 STATUTORY RESERVE

In accordance with the Companies' Law in Kingdom of Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for distribution.

17 OPERATING INCOME

a) Disaggregated revenue information

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

	31 December 2020 SR	31 December 2019 SR
Type of service		
Service fees	17,588,326	9,222,790
Arranging fees	2,774,518	3,488,855
Total revenue from contracts with customers	20,362,844	12,711,645
	31 December 2020 SR	31 December 2019 SR
Type of customer		
Related party	17,588,326	9,222,790
Private	2,774,518	3,488,855
Total revenue from contracts with customers	20,362,844	12,711,645

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At 31 December 2020

17 OPERATING INCOME (continued)

b) Contract balances

There are no outstanding assets and liabilities balances related to contracts with customers presented in the statement of financial position, except for an outstanding balance due from a related party (see note 11).

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

c) Performance obligations

Information about the Company's performance obligations are summarized below:

Arranging services

The Company is acting as an agent in these arrangements. The performance obligation is satisfied, and payment is due upon delivery of services to the customer.

Service fees - Revenue from transfer pricing

This amount represents income generated from Standard Chartered Bank (SCB), UK Transfer Pricing Agreement whereby costs incurred throughout the year are re-imbrued at a 10% markup (i.e. Cost plus 10%) except for SCB internally recharged direct and indirect costs as these are internally recharged costs are reimbursed at cost (i.e. Cost at 100%) as per the Transfer Pricing Guidelines. The performance obligation is satisfied when cost incurred and this to be claimed from Standard Chartered Bank, UK and represent a balance due from a related party (see note 11).

18 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020 SR	31 December 2019 SR
Salaries and employee related expenses	7,064,165	3,566,958
Regional and Head Office recharge *	5,217,284	1,716,248
IT related expenses	1,826,264	503,128
Directors' fee (see note 11)	626,884	414,229
Outsourcing expenses	621,917	552,651
Depreciation on right of use assets (see note 7)	560,600	560,600
Premise related expenses	478,531	362,971
Legal and professional charges	378,368	544,120
Utilities	287,562	223,485
Amortization expense (see note 6)	233,187	89,341
Regulatory fee	215,895	201,861
Offices expenses	90,766	173,988
VAT and other taxes	43,138	25,195
Travelling and communication expenses	24,662	29,736
Others	400,946	69,739
	18,070,169	9,034,250

* Regional and Head Office cost are apportioned to the Company by the ultimate parent based on the services rendered by the Group.

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At 31 December 2020

19 OTHER INCOME

	31 December 2020 SR	31 December 2019 SR
Special commission income (see note 10)	994,794	2,257,716

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are categorized in the fair value level hierarchy as follows:-

31 December 2020

	Carrying value SR	Fair value			
		Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets					
Cash and cash equivalents	268,405,798	-	-	268,405,798	268,405,798
Due from related parties	49,501,813	-	-	49,501,813	49,501,813
Other receivables and security deposit *	200,666	-	-	200,666	200,666
Financial liabilities					
Due to related parties	206,001,958	-	-	206,001,958	206,001,958
Accrued expenses and other payables **	2,680,989	-	-	2,680,989	2,680,989
Dividends payable	3,900,000	-	-	3,900,000	3,900,000
Lease liability	553,206	-	-	553,206	553,206

31 December 2019

	Carrying value SR	Fair value			
		Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets					
Cash and cash equivalents	94,155,674	-	-	94,155,674	94,155,674
Trade receivables	4,135,398	-	-	4,135,398	4,135,398
Due from related parties	17,044,218	-	-	17,044,218	17,044,218
Other receivables and security deposit *	423,330	-	-	423,330	423,330
Financial liabilities					
Due to related parties	8,111,029	-	-	8,111,029	8,111,029
Accrued expenses and other payables **	1,712,786	-	-	1,712,786	1,712,786
Dividends payable	1,100,000	-	-	1,100,000	1,100,000
Lease liability	1,065,848	-	-	1,065,848	1,065,848

* Presented under prepayments and other receivables

** Excluding withholding taxes payable

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position as at 31 December 2020 and 2019 as these are generally short-term in nature. There were no transfers between levels of fair value hierarchy during the years ended 31 December 2020 and 2019.

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At 31 December 2020

21 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Company's Board of Directors ("BOD") has the overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the BOD on its activities.

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 maintain a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	31 December 2020 SR	31 December 2019 SR
Cash and cash equivalents	268,405,798	94,155,674
Due from related parties	49,501,813	17,044,218
Trade receivables	-	4,135,398
Other receivables and security deposit *	200,666	423,330
	318,108,277	115,758,620

* Presented under prepayments and other receivables.

Based on management assessment, the Company has no significant exposure to credit risk due to the following:

- *Cash and cash equivalents* are maintained with banks having sound credit ratings.
- *Trade receivables* represent mainly fees receivable from corporate finance advisory clients which are considered as low credit risk by the Company. All the amount was received during 2020 and there is no outstanding balance as at 31 December 2020.
- *Due from related parties* is related to agreements with Standard Chartered Bank Group entities which provide for an agreed basis for sharing of revenues on jointly executed projects and recovery of expenses incurred on such projects as approved by the Company's management.
- *Other receivables and security deposit* are accrued special commission receivable and rental deposits which are short-term in nature.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. The Company monitors and manages the liquidity structure of its assets and liabilities so as to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The Company is not exposed to significant liquidity risk as the Company has adequate liquid assets available that exceeded current liabilities by SR 103.42 million as at 31 December 2020 (31 December 2019: SR 103.64 million).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

21 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates may affect either fair values or future cash flows of financial instruments. The Company does not have significant special commission rate risk.

Currency risk

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

Management believes that there is insignificant risk of losses due to exchange rate fluctuation as most of the Company's monetary assets and liabilities are primarily in US dollars which is pegged with the Saudi Riyal.

22 CAPITAL MANAGEMENT

The capital that the Company is required to hold is determined based on the statement of financial position, off – statement of financial position, counterparty and other risk exposures that the Company has. Adequate processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios. These processes are designed to ensure that the Company has a sufficient capital available to meet local regulatory capital requirements at all times.

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

	31 December 2020 SR	31 December 2019 SR
<i>Capital Base</i>		
Tier I Capital	103,388,996	103,824,463
Tier II Capital	-	-
Total Capital Base	103,388,996	103,824,463
<i>Minimum capital requirement:</i>		
Credit risk	11,592,770	8,760,199
Market risk	403,445	474,351
Operational risk	4,517,542	2,258,563
Total minimum capital required	16,513,757	11,493,113
<i>Capital Adequacy Ratio</i>		
Total Capital Ratio (time)	6.26	9.03
Surplus in Capital	86,875,239	92,331,350

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

22 CAPITAL MANAGEMENT (continued)

a) Capital Base of the Company comprise of:

Tier -1: consists of the total of share capital, retained earnings and reserves excluding re-measurement of employees' benefit obligation less deferred tax assets.

Tier-2 capital consists of subordinated loans with certain restrictions. The Company does not have any subordinated loans as a result the Company does not have tier-2 capital.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

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

23 IMPACT OF COVID 19

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels.

The extent to which coronavirus pandemic impacts the Company's business, operations, and financial results, is certain but the amount is not specified and depends on many factors and future developments, that the Company may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Company's customers and other factors.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations, estimated its liquidity requirements and business aspects including factors like travel restrictions, services demand, used vehicle demand, etc. The Company cannot assure its assumptions used in the above estimates will be correct due to such uncertain situation. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures. Further, the Company's management also evaluated the cash flow situation, continuation of existing leasing contracts and the readiness of operational processes when the situation improves. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the Company's management will continue to assess the impact based on prospective developments.

24 COMPARATIVE FIGURES

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

25 APPROVAL OF FINANCIAL STATEMENTS

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