

IMPACT CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

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

**FOR THE PERIOD FROM 31 JANUARY 2019 (DATE
OF COMMERCIAL REGISTRATION) TO
31 DECEMBER 2019**

Impact Capital Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

For the period from 31 January 2019 (date of commercial registration) to 31 December 2019

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF IMPACT CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)**

Our Opinion

We have audited the accompanying financial statements of Impact Capital Company (the "Company"), a Saudi closed joint stock company, which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 31 January 2019 (date of commercial registration) to 31 December 2019, 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 2019, and its financial performance and its cash flows for the period from 31 January 2019 (date of commercial registration) to 31 December 2019 in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

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.

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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.

INDEPENDENT AUDITOR'S REPORT (continued)
TO THE SHAREHOLDERS OF IMPACT CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

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

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.

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.

Report on other legal and regulatory requirements

We draw your attention to note 2 and 21 in the accompanying financial statements, as stated therein, the accumulated losses of the Company exceeded 50% of the share capital and accordingly, the shareholders resolved in a date subsequent to the balance sheet date to reduce the share capital of the Company by SR 1.5 million in order to absorb part of the accumulated losses of the Company. Also, the shareholders resolved to increase the share capital through cash contributions of SR 1.5 million. The legal formalities relating to these transactions are still in progress as of the date of the approval of these financial statements.

for Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid
Certified Public Accountant
Registration No. 438

Riyadh: 31 May 2020
(8 Shawwal 1441)



Impact Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

		<i>As at 31 December 2019 SR</i>
	<i>Notes</i>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5	1,965,129
Prepayments and other receivables	6	81,983
Amount due from related parties	7	377,926
		<u>2,425,038</u>
TOTAL CURRENT ASSETS		
NON-CURRENT ASSETS		
Property and equipment	8	367,671
Right-of-use assets	9 (a)	329,092
Long term prepayments	6	10,953
Intangible assets	10	4,500
		<u>712,216</u>
TOTAL NON-CURRENT ASSETS		
TOTAL ASSETS		<u><u>3,137,254</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accrued and other payables	11	306,477
Current portion of lease liabilities	9 (b)	286,811
Amounts due to a shareholder	7	17,926
Zakat payable	12	46,736
		<u>657,950</u>
TOTAL CURRENT LIABILITIES		
NON-CURRENT LIABILITIES		
Employee benefit obligations	13	50,381
		<u>708,331</u>
TOTAL LIABILITIES		
SHAREHOLDERS' EQUITY		
Capital	14, 21 (b)	5,000,000
Accumulated losses	2	(2,571,077)
		<u>2,428,923</u>
TOTAL SHAREHOLDERS' EQUITY		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>3,137,254</u></u>

The attached notes 1 to 22 form an integral part of these financial statements

Impact Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

		<i>For the period from 31 January 2019 to 31 December 2019</i>
	<i>Notes</i>	<i>SR</i>
Revenue from asset management services		261,333
TOTAL OPERATING INCOME		261,333
OPERATING EXPENSES		
Employees' related costs		(959,842)
Dues and subscriptions costs		(260,134)
Legal fees		(170,073)
Insurance		(39,375)
General and administrative expenses	15	(1,343,131)
TOTAL OPERATING EXPENSES		(2,772,555)
OPERATING LOSS		(2,511,222)
Finance charges	9 (c)	(11,701)
LOSS FOR THE PERIOD BEFORE ZAKAT		(2,522,923)
Zakat	12	(46,736)
NET LOSS FOR THE PERIOD		(2,569,659)
Other comprehensive loss that will not be reclassified subsequently to profit or loss:		
Remeasurement loss on employees' terminal benefits		(1,418)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,571,077)
Loss per share	16	(5.14)

The attached notes 1 to 22 form an integral part of these financial statements

Impact Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 31 January 2019 (date of commercial registration) to 31 December 2019

	Capital SR	Accumulated losses SR	Total SR
Issuance of capital	5,000,000	-	5,000,000
Net loss for the period	-	(2,569,659)	(2,569,659)
Other comprehensive loss for the period	-	(1,418)	(1,418)
Total comprehensive loss for the period	-	(2,571,077)	(2,571,077)
Balance as at 31 December 2019	5,000,000	(2,571,077)	2,428,923

Impact Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

		<i>For the period from 31 January 2019 to 31 December 2019</i>
	<i>Notes</i>	<i>SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period before zakat		(2,522,923)
Adjustments for non-cash income and expenses:		
Depreciation of property and equipment	8	81,360
Depreciation of right-of-use asset	9 (c)	235,618
Amortization of intangible assets	10	500
Employee benefit obligations provision	13	48,963
Finance charges	9 (c)	11,701
		<u>(2,144,781)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables		(92,936)
Amount due from related parties		(377,926)
Accrued and other payables		306,477
		<u>(2,309,166)</u>
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	8	(449,031)
Payments for intangible assets	10	(5,000)
		<u>(454,031)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital	14	5,000,000
Amount due to shareholder		17,926
Lease liabilities paid	9 (b)	(289,600)
		<u>4,728,326</u>
Net cash from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,965,129</u>
Cash and cash equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>1,965,129</u>
NON-CASH TRANSACTION		
Principle portion of the lease liabilities	9 (a)	<u>329,092</u>

The attached notes 1 to 22 form an integral part of these financial statements

Impact Capital Company (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS 31 December 2019

1 GENERAL INFORMATION

Impact Capital Company (the "Company") is a Saudi closed joint stock company incorporated under Ministerial Resolution No. 3-M dated 28 Muharram 1437 (corresponding to 10 November 2015) and was operating under commercial registration number 1010519508 dated 25 Jumada Al-Awwal 1440H (corresponding to 31 January 2019).

The Company is licensed as asset management company regulated by the Capital Market Authority (the "CMA"). The Company is arrangement in securities, provision of advice in securities, management of non-real estate private investment funds and management of experienced investor portfolios in accordance with the CMA Resolution No.18196-32.

As per the by-laws of the Company, the first financial period starts from the date of the commercial registration and will end on 31 December 2019. Accordingly, these financial statements cover the period from 31 January 2019 to 31 December 2019 (the "Period").

The registered address of the Company is Mashreq Towers King Fahad Road, P.O. Box 4054, Riyadh 12711, Saudi Arabia.

2 ACCUMULATED LOSSES AND FUNDAMENTAL ACCOUNTING CONCEPTS

As at 31 December 2019, the accumulated losses of the Company exceeded one-half of its capital. The Regulations for Companies require that in situations where the accumulated losses are in excess of one-half of the capital, the managers should call for a meeting at which the shareholders should resolve whether to continue with the operations of the Company or to dissolve it before the expiry of its term. Subsequent to the date of these financial statements, the shareholders of the Company resolved to decrease the share capital of Company by SR 1.5 million to absorb part of the accumulated losses and then increase the share capital again through cash contribution amounting to SR 1.5 million. The legal formalities relating to these transactions are still in progress as of the date of the approval of these financial statements (note 21).

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis of accounting except for employees' end of service benefits are measured at present value of future obligations using the Projected Unit Method. The financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional currency. All financial information has been rounded off to the nearest unit, unless otherwise indicated.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2.1 Current versus non-current classification

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

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

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.

Impact Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.2 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

3.2.3 Revenue recognition

The following accounting policy is applied for revenue recognition in the preparation of the Company's financial statements:

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15, *Revenue from Contracts with Customers*:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: 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 to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate 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 when (or as) the entity satisfies a performance obligation.

Impact Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.3 Revenue recognition (continued)

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

a) Asset management fees

Asset management fees are recognised based on a fixed percentage of net assets under management (“asset-based”), or a percentage of returns from net assets (“returns-based”) subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company’s efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised. This fee compensates and contributes to single performance obligation, the Company’s obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

3.2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Initial recognition and measurement of financial instruments

The Company initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Initial measurement of the financial instrument is 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 (“FVTPL”), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the statement of profit or loss and OCI.

ii. Financial assets – subsequent classification and measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

- a) The Company’s business model for managing the financial assets; and
- b) The contractual cash flow characteristics of the financial asset

A financial asset is measured at amortised cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at FVTPL.

The Company has no financial assets measured at FVTPL and fair value through other comprehensive income.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

iii. Impairment of financial assets

The Company assesses on a forward-looking basis the Expected Credit Losses (“ECL”) associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. Where there is no significant financing component in the financial instruments recognised at amortised cost or FVOCI, then the Company can use simplified approach and assess allowance on lifetime ECL using a forward-looking provision matrix.

Impact Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.4 Financial instruments (continued)

iii. Impairment of financial assets (continued)

As at year end, the Company has bank balances, prepayments, and other assets, and amounts due from a related parties as financial assets carried at amortised cost.

The bank balances are demand deposits with reputable financial institutions with investment grade credit rating. These financial institutions are highly capitalised and sufficiently liquid. They adhere to strict requirements of their regulator with respect to capital adequacy and liquidity requirements. Further, based on the economic review in general and assessment of the forecast of the Saudi Arabian Financial Institutions specifically by the reputable financial analyst and other agencies, the management believes that the financial institutions will continue their positive capital of liquidity requirements. Accordingly, the management believes no provision is required at this stage.

With respect to prepayments and other assets, and amounts due from related parties, these are short-term receivables which are current and are settled within a very short period of time. The employee receivables are also collateralised against their respective terminal benefits which significantly exceed the outstanding balances. The amounts due from a shareholder are also covered by the shareholder.

iv. Financial liabilities – subsequent classification and measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate (“EIR”) method. The EIR is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Company derecognises a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The Company’s financial liabilities include accounts payables, accruals and other liabilities, amounts due to a shareholder.

v. 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 a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.2.5 Prepayments

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

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

3.2.6 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impact Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.6 Property and equipment (continued)

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

- | | |
|--------------------------|---------|
| • Leasehold improvements | 5 years |
| • Furniture and fixtures | 5 years |
| • Office equipment | 5 years |
| • Computer equipment | 3 years |

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

An item of property and equipment 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 the statement of profit or loss and OCI when the asset is derecognised.

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.

3.2.7 Intangible assets

Intangible assets are purchased trademark that is stated at cost less accumulated amortisation and any impairment in value. It is amortised over its estimated useful life of five years using the straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised and adjusted prospectively.

3.2.8 Impairment of non-financial assets

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

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

3.2.9 Assets held in trust or in a fiduciary capacity

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

Impact Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.10 Accruals and other liabilities

These amounts represent liabilities for services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Accounts payable are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the EIR method.

Accounts payable, accruals and other liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

3.2.11 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and OCI, net of any reimbursement.

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

3.2.12 Right-of-use assets

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

3.2.13 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3.2.14 Related party transactions and relationships

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

3.2.15 Employees' terminal benefits

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.15 *Employees' terminal benefits (continued)*

The discount rate applied in arriving at the present value of the employees' terminal benefits obligation represents the yield on pension liability index, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

Employees' terminal benefits costs are categorised as follows:

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

Current service cost and interest expense arising on the employees' terminal benefits liability are included in the same line items in the statement of profit or loss as employee-related costs.

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

3.2.16 *Zakat*

The Company is subject to zakat in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). Provision for zakat is charged to profit or loss. Additional amounts payable, if any, at the finalization of final assessment are accounted for when such amounts are determined.

3.2.17 *Foreign currencies*

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and OCI.

3.2.18 *Expenses*

Expenses are recognised when incurred based on the accrual basis of accounting. Selling and distribution expenses are those that specifically relate to salesmen, showroom, marketing and delivery expenses. General and administrative expenses include costs not specifically part of direct costs as required under IFRS.

3.2.19 *Statutory reserve*

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income for the year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution. No transfer has been made during the year since the Company incurred losses.

3.2.20 *IFRS 16, Leases*

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 'IAS 17 Leases', 'IFRIC 4 Determining whether an Arrangement contains a Lease', 'SIC 15 Operating Leases – Incentives' and 'SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Impact Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.21 New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

The application of this standard did not have an impact on the amounts presented in these financial statements.

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Company's financial statements:

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
IFRS 17 Insurance Contracts	1 January 2021
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2022

In the opinion of the Company's management, these standards, amendments to standards and interpretations will clearly not impact the Company. The Company intends to adopt these standards, if applicable, when they become effective.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

4.2 Useful lives of property and equipment

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

4.3 Valuation of defined benefit obligations

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. 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 other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

5 CASH AND CASH EQUIVALENTS

	2019 SR
Cash at banks	1,964,999
Cash in hand	130
	<u>1,965,129</u>

6 PREPAYMENTS AND OTHER RECEIVABLES

	2019 SR
<i>Current</i>	55,806
Prepayments	26,177
Other receivables	<u>81,983</u>
<i>Non-current</i>	10,953
Prepayments	<u></u>

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The Company is controlled by its shareholders. No single shareholders can direct the activities of the Company without cooperation of other shareholders.

7.1 a) Related party transactions

The following transactions were carried out with the related parties:

Related party	Nature of transactions	For the period from 31 January 2019 to 31 December 2019 SR
Affiliates	Expenses paid on behalf of Funds	269,947
Affiliates	Management fees of services provided to funds	261,333
Shareholder	Expenses paid on behalf of the Company	452,895

b) Key management compensation

Compensation of key management personnel of the Company follows::

	2019 SR
Short-term employee benefits	28,171
Termination benefits	-
Total compensation paid to key management personnel	<u>28,171</u>

Short-term employee benefits of the Company's key management personnel include salaries, allowances and contributions to General Organisation for Social Insurance. The amounts disclosed above are recognised as expense during the reporting year related to key management personnel.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

7.2 c) Related party balances

Significant year-end balances arising from transactions with related parties are as follows:

<u>Due from related parties</u>	<i>Nature of relationship</i>	2019 SR
Impact Private Equity fund	Affiliate	170,854
Impact growth fund	Affiliate	118,965
Impact 46 seed fund	Affiliate	88,107
		377,926

<u>Due to a related party</u>	<i>Nature of relationship</i>	2019 SR
Abdul-Aziz Al-Omran	Shareholder	17,926

8 PROPERTY AND EQUIPMENT

	<i>Office equipment SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer equipment SR</i>	<i>Leasehold improvements SR</i>	Total 2019 SR
<i>Cost:</i>					
At 31 January 2019	-	-	-	-	-
Additions	13,101	50,150	77,297	308,483	449,031
At 31 December 2019	13,101	50,150	77,297	308,483	449,031
<i>Accumulated depreciation:</i>					
At 31 January 2019	-	-	-	-	-
Charge for the period (note 15)	2,103	8,051	21,679	49,527	81,360
At 31 December 2019	2,103	8,051	21,679	49,527	81,360
<i>Net book value</i>	10,998	42,099	55,618	258,956	367,671

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

9 RIGHT -OF- USE ASSETS AND LEASES LIABILITIES

The Company has lease contracts for office space under operating leases. The leases are for an average period of two years, with fixed rentals over the same period.

a) Set out below are the carrying amounts of right-of-use assets recognized and the movement during the period.

	2019
	SR
<i>Cost:</i>	
Additions during the period	564,710
At the end of the period	564,710
<i>Depreciation:</i>	
Charge for the period (note 15)	235,618
At the end of the period	235,618
<i>Net book value:</i>	
<i>At 31 December 2019</i>	329,092

b) Set out below are the carrying amounts of lease liabilities and the movement during the period.

	2019
	SR
Lease liabilities recorded during period	564,710
Add: finance charge for the period	11,701
Less: payments made during the period	(289,600)
	286,811
Non-current liabilities	-
Current liabilities	286,811

The maturity analysis of lease liabilities are disclosed in note 18.

c) The following are the amounts recognized in the statement of profit or loss:

	<i>For the</i>
	<i>period from</i>
	<i>31 January</i>
	<i>2019 to 31</i>
	<i>December</i>
	<i>2019</i>
	<i>SR</i>
Depreciation expense of right-of-use assets (note 15)	235,618
Interest expense on lease liabilities	11,701
	247,319

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

10 INTANGIBLE ASSETS

	<i>Trademark</i>
<i>Cost:</i>	
At the beginning of the period	-
Additions	5,000
	5,000
At the end of the period	5,000
<i>Amortization:</i>	
At the beginning of the period	-
Charge for the period (note 15)	500
	500
At the end of the period	500
<i>Net book value:</i>	
<i>At 31 December 2019</i>	4,500

11 ACCRUED AND OTHER PAYABLES

	2019 SR
Accrued expenses	286,783
Other payables	19,694
	306,477

12 ZAKAT PAYABLE

12.1 Zakat charge

The zakat charge is based on the following:

	2019 SR
Equity	5,000,000
Opening reserve, provisions and other adjustments	304,737
Book value of long-term assets	(701,263)
	4,603,474
Adjusted zakat base for 334 days before adjusted net loss (note 12.2)	(2,473,960)
Zakat base	1,869,431

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net loss.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

12 ZAKAT PAYABLE (continued)

12.2 Adjusted net loss

	2019 SR
Loss before zakat	(2,522,923)
Provisions charged to the current period accounts	48,963
Adjusted net loss for the period	<u>(2,473,960)</u>

12.3 Status of assessments

The Company has to file its first zakat return for the period from 31 January 2019 to 31 December 2019.

13 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

In accordance with the provisions of International Accounting Standard-19, management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2019 in respect of employees' terminal benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	2019 SR
Discount rate	3.80%
Expected rate of salary increase	2.00%
Withdrawal rate - first year of service	25.00%
Withdrawal rate - second year of service and onwards	15.00%
Weighted average future number of years of service	24.99

The changes in the present value of defined unfunded benefit obligation is as follows:

	2019 SR
At beginning of the period	-
Net benefit expense	48,963
Actuarial loss included in other comprehensive loss	1,418
At end of the year	<u>50,381</u>

The breakdown of net benefit costs charged to the statement of profit or loss is as follows:

	2019 SR
Current service cost	47,177
Interest expense	1,786
Net benefit expense	<u>48,963</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

13 EMPLOYEE DEFINED BENEFIT OBLIGATIONS (continued)

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the employees' terminal benefits liability as at 31 December is shown below:

	2019 SR
Discount rate:	
1% increase	(48,005)
1% decrease	53,875
Salary increase rate:	
1% increase	53,583
1% decrease	(47,641)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the employees' terminal benefit liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant.

The sensitivity analysis may not be representative of an actual change in the end of service benefit liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognised in the statement of financial position.

14 CAPITAL

The authorized, issued and paid-up capital of the Company as at 31 December 2019 consisted of 500,000 shares of SR 10 par value.

	<i>Percentage of ownership</i>	<i>Number of shares</i>	<i>Capital SR</i>
Abdul-Aziz Bin Abdulrahman Al-Omran	40%	200,000	2,000,000
Abdualwahab Bin Abdualkarim Al-Batiri	30%	150,000	1,500,000
Tariq Bin Abdullah Al-Romaim	30%	150,000	1,500,000
	100%	500,000	5,000,000

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

15 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the period from 31 January 2019 to 31 December 2019 SR</i>
Professional fee	272,406
Depreciation of right-of-use assets (note 9)	235,618
Employees' related costs	227,737
Rents	99,923
Depreciation of property and equipment (note 8)	81,360
Office expenses	60,450
Governmental expenses	48,072
Insurance	42,339
Travel expenses	27,870
Utilities	51,742
Maintenance	8,056
Bank charges	1,024
Amortisation (note 10)	500
Others	186,034
	<u><u>1,343,131</u></u>

16 EARNING PER SHARE

Loss per share for the period ended 31 December 2019 is calculated by net loss for the period divided by the weighted average outstanding number of shares for the period, totaling 500,000 shares.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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

As of reporting date, there were no Level 1, 2 or 3 assets or liabilities.

Financial assets consist of cash and bank balances, prepayments and other assets, and amounts due from related parties. Financial liabilities consist of accruals and other liabilities and amounts due to shareholder. The fair values of financial assets and financial liabilities approximate their carrying values at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

18 FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to credit risk, liquidity risk, market risk and operation risk.

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

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

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

Credit risk

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

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

	2019 SR
Cash and bank balances	1,965,129
Amount due from related parties	377,926
Other receivables	26,177
	<u>2,369,232</u>

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its partners and from bank facilities.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2019				
Accrued expenses	286,283	-	-	286,283
Current portion of lease liabilities	-	-	286,811	286,811
	<u>286,283</u>	<u>-</u>	<u>286,811</u>	<u>573,094</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

18 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk comprises interest rate risk and foreign currency risk.

a. Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense is denominated in a foreign currency). The Company did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars during the period. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk. As at 31 December 2019, the Company's exposure to foreign currency changes for its prepayments and accruals was not material.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider level 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 of managing operational risk is to ensure control of the Company's resources by protecting the assets of the Company and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors. These tools include a loss database of operational risks events categorised according to CMA Prudential Rules, business lines, operational risk event types and a risk and control assessment process to analyse business activities and identify operational risks related to those activities. 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. High impact risks and issues of critical importance are reported to the Board of Directors which then set resolution priorities.

19 ASSETS HELD UNDER FIDUCIARY CAPACITY

The Company holds assets on behalf of its customers. As the Company acts in a fiduciary capacity, these assets are not included in the statement of financial position. As at 31 December 2019, the Company holds assets under management amounting Nil on behalf of, and for the beneficial interest of, its customers.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

20 REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

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

In accordance with Article 74 (b) of the Prudential Rules issued by the CMA (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as of December 31, 2019.

	2019 SR
Capital Base:	
Tier 1 Capital	2,425,341
Tier 2 Capital	-
	<u>2,425,341</u>
Minimum Capital Requirement:	
Market Risk	-
Credit Risk	884,000
Operation Risk	-
	<u>884,000</u>
Capital Adequacy Ratio:	
Total Capital Ratio (time)	2.80
Surplus / (deficit) in Capital	1,588,000

- a) The above information has been extracted from the Company's annual Capital Adequacy Model for the year ended 31 December 2019 to be submitted to CMA.
- b) The capital base consist of Tier 1 capital and Tier 2 capital calculated as per article 4 and 5 of rule respectively. The Minimum Capital Requirements for market, credit & operational risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) Certain information as required by the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors of the Company.

21 EVENTS AFTER THE END OF THE REPORTING DATE

a) Subsequent to 31 December 2019, the COVID 19 outbreak was declared a pandemic by the World Health Organization. Whilst we have not seen a significant impact on our business to date, the outbreak could interfere with general activity levels within the community, the economy and our business. This would likely result in a reduction in operating cashflows of the Company. It is not possible to estimate the impact of the outbreak's near-term and longer effects or governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time.

No adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID 19.

For subsequent reporting periods, this may affect the measurement and recognition of assets and liabilities in the Company's financial statements. The management is still working on the impact assessment for the year 2020.

b) Further, in the beginning 2020 the shareholders resolved to decrease the Company's share capital by SR 1.5 million to absorb part of the Company's accumulated losses. Also, the shareholders resolved to increase the Company's share capital through cash contributions of SR 1.5 million. The legal formalities relating to these transactions are still in progress as of the date of the approval of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

21 EVENTS AFTER THE END OF THE REPORTING DATE (continued)

A summary of the related balances before and after the recording of these transactions as of the date of the approval of these financial statements are as follows:

	<i>Share capital SR</i>	<i>Number of shares</i>	<i>Accumulated losses SR</i>
Balance as of 31 December 2019	5,000,000	500,000	(2,571,077)
Partial absorption of the accumulated losses through the reduction of the share capital	(1,500,000)	(150,000)	1,500,000
Cash capital contribution	1,500,000	150,000	-
	<u>5,000,000</u>	<u>500,000</u>	<u>(1,071,077)</u>

22 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 4 Shawwal 1441H (corresponding to 27 May 2020).