BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditor's report to the shareholders of Blominvest Saudi Arabia

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Blominvest Saudi Arabia (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, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued endorsed by the Saudi Organisation for Certified Public Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent auditor's report to the shareholders of Blominvest Saudi Arabia (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

PricewaterhouseCoopers

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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
LICENSE NO.25
C.R.1010371622

Bader I. Benmohareb
License Number 471

1 March 2021
(corresponding to 17 Rajab 1442H)

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 December 2020	31 December 2019
Assets			
Non-current assets			
Deferred tax asset	12	**990,182**	-
Property and equipment, net	3	**383,823**	405,683
Intangible assets, net	4	**127,948**	322,593
Right of use assets	5	**1,753,661**	1,821,722
Investment properties	6	**27,175,368**	35,773,551
Investments at amortised cost	7	**15,431,912**	12,779,421
Investments at fair value through other comprehensive income (FVOCI)	8	**41,992,893**	34,766,242
Total non-current assets		**87,855,787**	85,869,212
Current assets			
Due from related parties - management fees	17	**86,797,085**	113,908,724
Prepayments and other current assets		**7,199,416**	2,008,849
Due from related parties	17	**4,416,997**	3,938,573
Investments at amortised cost	7	**3,278,519**	236,170
Investments at fair value through statement of income (FVSI)	9	**133,948,748**	161,835,709
Cash and cash equivalents	10	**46,260,095**	15,355,611
Total current assets		**281,900,860**	297,283,636
Total assets		**369,756,647**	383,152,848
Liabilities and shareholders' equity			
Liabilities			
Non-current liabilities			
Employees' end of service benefits (EOSB)	11	**3,188,512**	3,166,987
Lease liabilities	5	**942,371**	942,369
Total non-current liabilities		**4,130,883**	4,109,356
Current liabilities			
Bank overdraft	10,17	-	64,250
Due to related parties	17	**12,210,669**	17,789,779
Accruals and other current liabilities		**5,513,664**	4,166,252
Zakat and income tax payable	12	**9,900,734**	17,764,433
Lease liabilities	5	**910,502**	910,502
Total current liabilities		**28,535,569**	40,695,216
Total liabilities		**32,666,452**	44,804,572
Shareholders' equity			
Share capital	13	**245,000,000**	245,000,000
Statutory reserve	14	**11,705,345**	10,813,344
Other reserves	16	**4,825,265**	1,571,654
Retained earnings		**75,559,585**	80,963,278
Total shareholders' equity		**337,090,195**	338,348,276
Total liabilities and shareholders' equity		**369,756,647**	383,152,848

The accompanying notes from 1 to 26 form an integral part of these financial statements.

Chairman **Chief Executive Office** **Chief Financial Officer**

Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Operating income			
Income from asset management services		**16,777,370**	18,849,561
Income from corporate finance and advisory services		**1,000,000**	1,850,000
Unrealised gain/(loss) on re-measurement of investments at FVSI		**5,016,326**	(2,419,548)
Realised gain on sale of investment at FVSI		**3,250,414**	17,493,253
Dividend income		**1,925,598**	2,178,114
Gain on sale of investment property	6	**1,075,014**	291,578
Special commission income		**705,645**	990,392
Performance fees	17	**323,332**	5,926,494
(Charge) / reversal of provision for financial assets at amortised cost		**(1,284)**	11,445
Total operating income		**30,072,415**	45,171,289
Operating expenses			
Salaries and employee related expenses		**(13,349,680)**	(13,958,822)
General and administration expenses	18	**(6,725,566)**	(5,977,425)
Service fees	17	**-**	(1,433,771)
Commission expense		**(1,934,168)**	(821)
Finance charges		**(96,576)**	(73,232)
Total operating expenses		**(22,105,990)**	(21,444,071)
Net operating income		**7,966,425**	23,727,218
Other income	12, 17.4	**4,321,817**	7,495,637
Income before zakat and income tax		**12,288,242**	31,222,855
Zakat and income tax	12	**(3,368,237)**	(6,350,000)
Net income for the year		**8,920,005**	24,872,855
Items that will not be reclassified subsequently to statement of income			
Fair value changes on equity investments at FVOCI	16	**1,988,014**	3,733,522
Re-measurement gain / (loss) on employees' EOSB, net of deferred tax	11,16	**83,900**	(301,071)
Other comprehensive income for the year		**2,071,914**	3,432,451
Total comprehensive income for the year		**10,991,919**	28,305,306

The accompanying notes from 1 to 26 form an integral part of these financial statements.

Chairman	**Chief Executive Office**	**Chief Financial Officer**

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Other reserves (Note 16)	Retained earnings	Total
As at 1 January 2019	245,000,000	8,326,058	(1,860,797)	70,827,709	322,292,970
Net income for the year	-	-	-	24,872,855	24,872,855
Other comprehensive Income	-	-	3,432,451	-	3,432,451
Total comprehensive income for the year	-	-	3,432,451	24,872,855	28,305,306
Dividends distribution (note 15)	-	-	-	(12,250,000)	(12,250,000)
Transfer to statutory reserve	-	2,487,286	-	(2,487,286)	-
Balance at 31 December 2019	245,000,000	10,813,344	1,571,654	80,963,278	338,348,276
As at 1 January 2020	245,000,000	10,813,344	1,571,654	80,963,278	338,348,276
Net income for the year	-	-	-	8,920,005	8,920,005
Other comprehensive income	-	-	2,071,914	-	2,071,914
Total comprehensive income for the year	-	-	2,071,914	8,920,005	10,991,919
Dividends distribution (note 15)	-	-	-	(12,250,000)	(12,250,000)
Transfer to statutory reserve	-	892,001	-	(892,001)	-
Transfer to retained earnings on disposal of FVOCI equity investments	-	-	1,181,697	(1,181,697)	-
Balance at 31 December 2020	**245,000,000**	**11,705,345**	**4,825,265**	**75,559,585**	**337,090,195**

The accompanying notes from 1 to 26 form an integral part of these financial statements.

BLOMINVEST SAUDI ARABIA
(A MIXED JOINT STOCK COMPANY)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Cash flows from operating activities			
Net income for the year before zakat and income tax		**12,288,242**	31,222,855
Adjustment to reconcile net income before zakat and tax to net cash flows operating activities :			
Depreciation of property and equipment	3	**174,277**	206,013
Amortisation of intangible asset	4	**209,110**	221,784
Amortisation of right of use asset	5	**842,800**	910,861
Finance cost on lease liabilities	5	**96,532**	70,762
Special commission income on amortised cost investments		**(660,798)**	(969,162)
Liabilities no longer required written back	12	**(4,349,215)**	-
Provisions for employees' EOSB	11	**546,410**	532,324
Unrealised (gain)/loss on re-measurement of investments at FVSI, net		**(5,016,326)**	2,419,548
Gain on sale of investment property	6	**(1,075,014)**	(283,578)
Operating cash flows before working capital changes		**3,056,018**	34,331,407
Due from related parties		**(478,424)**	(216,215)
Prepayments and other current assets		**(5,190,567)**	(435,696)
Due from related parties - management fees		**27,111,639**	5,524,984
Due to related parties, net		**(5,579,110)**	(6,059,396)
Accrued expenses and other current liabilities		**1,347,412**	1,573,689
		20,266,968	34,718,773
Zakat and income tax paid	12	**(7,837,739)**	(1,647,201)
Employees' EOSB paid	11	**(476,149)**	(235,881)
Net cash generated from operating activities		**11,953,080**	32,835,691
Cash flows from investing activities			
Proceeds from matured investment at amortised cost		**-**	9,559,043
Purchase of investments at amortised cost		**(5,639,517)**	-
Interest received on investments at amortised cost		**605,475**	985,011
Purchase of investments at FVSI		**32,903,287**	(31,395,457)
Purchase of investments at FVOCI		**(5,238,637)**	(1,607,697)
Proceeds from disposal of investment properties		**9,673,197**	9,831,216
Purchase of property and equipment		**(152,417)**	(327,455)
Purchase of intangible assets		**(14,465)**	(99,386)
Net cash generated from / (used in) investing activities		**32,136,923**	(13,054,725)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(871,269)**	(950,474)
Dividends paid	15	**(12,250,000)**	(12,250,000)
Net cash used in financing activities		**(13,121,269)**	(13,200,474)
Net change in cash and cash equivalents during the year		**30,968,734**	6,580,492
Cash and cash equivalents at the beginning of the year	10	**15,291,361**	8,710,869
Cash and cash equivalents at the end of the year		**46,260,095**	15,291,361
Non cash transactions:			
Change in unrealised gain on financial assets at FVOCI		**(1,988,014)**	(3,733,522)
Re-measurement loss on Employees' EoSB		**(48,736)**	301,071
Right of use asset		**774,739**	2,732,583
Lease liabilities		**774,739**	2,257,346

The accompanying notes from 1 to 26 form an integral part of these financial statements.

1. General information

Blominvest Saudi Arabia (the "Company") is a Mixed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia. The Company is registered under commercial registration number 1010254040 dated 24 Rajab 1429H, (corresponding to 27 July 2008). The Company is engaged to act as agent and principal, underwriting, managing, arranging, advisory and custodial services of financial securities in accordance with the license issued by the Capital Market Authority (CMA) number 08094-37 dated 21 Muharram 1429H (corresponding to 30 January 2008) and the license issued by the Saudi Arabian General Investment Authority numbered 262/1 dated 19 Safar 1429H (corresponding to 27 February 2008). The Company's registered office is located at the following address:

King Fahd Street, Al-Oula Building 3rd Floor
P.O. Box 8151, Riyadh 11482
Kingdom of Saudi Arabia

The Company commenced its operations on 30 September 2009.

2. Significant accounting policies

2.1 Basis of preparation

(i) Compliance with IFRS

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

(ii) Historic cost convention

The financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of investments at fair value through statement of income (FVSI) and through other comprehensive income (FVOCI); and
  - employees' end of service benefits (EOSB) carried at present value of related obligation using actuarial valuation.
- using accrual basis of accounting.

(iii) Functional and presentation currency

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

(iv) Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2 Significant accounting policies (continued)

2.1 Basis of preparation (Continued)

(iv) Critical accounting estimates and judgments (Continued)

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.4.3 Impairment of financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:
(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.
Detailed information about the judgments and estimates by the Company in the above is set out in note 2.4.3 Impairment of financial assets.

(b) Useful lives of property, and equipment

The Company's 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 useful lives and residual value of the assets at least once per year and always at the end of each financial year and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

(c) Useful lives of intangible assets

The useful life starts at the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Useful lives are reviewed at each financial year-end and adjusted if appropriate.

(d) Employees' EOSB

The Company operates a defined benefit plan under the Saudi Arabian Labour Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

(e) Determination of control over mutual funds

The Company acts as a Fund Manager of a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these mutual funds.

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.1 Basis of preparation (Continued)

(e) Determination of control over mutual funds (Continued)

The Company has control over couple of equity funds managed by itself. However, the Company need not present consolidated financial statements as it meets all the following conditions:

(i) it is a wholly-owned subsidiary;
(ii) its debt or equity instruments are not traded in a public market;
(iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(iv) its ultimate parent produces financial statements that are available for public use and comply with IFRSs, in which the subsidiaries are consolidated.

Accordingly, BLOM Bank SAL in Lebanon consolidate the below entities and these investments in mutual funds managed by the Company are classified as fair value through statement of income in accordance with IFRS 9.

Name of Funds	31 December 2020	31 December 2019
	Interest held	
BLOM Arab Market Balanced Fund	**41.56%**	30.19%
BLOM Fund of REITs Fund	**32.72%**	33.25%
BLOM Saudi Arabia Fund	**19.19%**	13.10%
BLOM MSCI Saudi Arabia Select Min Vol Fund	**12.21%**	4.43%
BLOM Mazaya Equities Fund	**1.91%**	8.97%
BLOM Okaz RE Fund	**0.88%**	0.88%
BLOM Solidere 3 RE Fund	**15.56%**	15.46%
Ammoria Resorts RE Fund	**0.28%**	0.33%
Al Rabih Residence RE Fund	**19.41%**	-
Al Rayan Residence RE Fund	**20.13%**	-

(f) Fair value measurement of financial instruments

When the fair value 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 determined 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. The 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.

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 Company invests in redeemable units of unlisted mutual funds, which are also managed by the Company. The funds are open for subscriptions/redemptions on a periodic basis as mentioned in the terms and conditions. The value of the net assets of the funds for the purpose of the subscription/redemption of units is determined by dividing the net assets attributable to unitholders of the funds (fair value of the funds' assets minus the liabilities) by the total number of the funds' units outstanding on the relevant valuation day.

2 Significant accounting policies (continued)

2.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, bank overdrafts, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia. Cash and bank balances are carried at amortised cost in the statement of financial position.

2.3 Receivables

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

2.4 Financial instruments

2.4.1 Initial recognition and measurement

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

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

2.4.2 Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortised cost
- FVOCI
- FVSI

<u>Debt instruments</u>

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

Classification and subsequent measurement of debt instruments depend on:
- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

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

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.2 Classification and subsequent measurement of financial assets (Continued)

Factors considered by the Company in determining the business model for a group of assets include:
- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- and how managers are compensated.

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

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

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

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.4.3. Profit earned from these financial assets is recognised in the statement of income using the effective commission rate method.

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

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

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.2 Classification and subsequent measurement of financial assets (Continued)

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

Equity instruments

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

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Company's right to receive payments is established.

2.4.3 Impairment of financial assets

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

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

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

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

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.3 Impairment of financial assets (Continued)

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

The financial assets of the Company, that are subjected to ECL review include bank balances, investments at amortised cost and other assets.

2.4.3.1 Stages of Impairment under IFRS 9

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

Stage 1 - Performing financial assets

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

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

Stage 2 - Financial Assets with significant increase in credit risk

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

Stage 3 - Credit impaired financial assets

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

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

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.3 Impairment of financial assets (Continued)

2.4.3.2 Transfer criterions

Bank balances, sukuk and other assets

Staging criteria:

Staging is done in accordance with criteria mentioned in note 2.4.3.1 and 2.4.3.2.

Significant increase in credit risk:

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria: The decrease in the external rating/internal rating of the counter-party by 2 notches at the reporting date as compared to the rating as on the date of inception of the instrument. These thresholds have been determined separately for class of instruments, by assessing how the rating moves prior to an instrument becoming delinquent. These movements on instruments which do not subsequently become delinquent have also been assessed, to identify the "natural" movement in rating which is not considered indicative of a significant increase in credit risk.

Qualitative criteria: If the counter-party meets one or more of the following criteria:

- In short-term forbearance.
- Direct debt cancellation.
- Extension to the terms granted.
- Previous arrears within the last 12 months.
- Significant increase in credit spread.
- Significant adverse changes in business, financial and/ or economic conditions in which the counter-party operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the counter-party.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/ loans. The assessment of Significant Increase in Credit Risk (SICR) incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all financial instruments held by the Company.
- In relation to sukuk financial instruments, where a watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by an independent Credit Risk team.

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.3 Impairment of financial assets (Continued)

2.4.3.2 Transfer criterions (Continued)

Definition of default:

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL:

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a counter-party defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

2 **Significant accounting policies** (continued)

2.4 **Financial instruments** (Continued)

2.4.3 **Impairment of financial assets** (Continued)

2.4.3.2 **Transfer criterions** (Continued)

- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type:

o For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
o For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different counter-parties. These LGD's are influenced by collection strategies, including contracted debt sales and price.

- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

- The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward looking outcome:

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Company's risk assessment team on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company's risk assessment team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearity are captured. Significant amount of the instruments entered by the Company for the current reporting period are 12 months maturing, making the impact of forward looking information minimal.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linarites and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

2 Significant accounting policies (continued)

2.4 Financial instruments (Continued)

2.4.4 Financial liabilities

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

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

2.4.5 Fair valuation of financial instruments

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Company.

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

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

2.4.6 Derecognition of financial instruments

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

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

2 Significant accounting policies (continued)

2.4.7 Offsetting of financial instruments

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

2.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight line basis as follows:

Asset categories	**Useful lives**
Leasehold improvements	Period of lease or 10 years; whichever is shorter
Office furniture	5 years
Computer hardware	3 years
Equipment	5 years
Motor vehicles	5 years

The Company allocates the amount initially recognised in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognised when replaced. Residual values, method of amortisation and useful lives of the assets are reviewed annually and adjusted if appropriate.
Impairment losses and gains (losses) on disposals of property and equipment are included in statement of comprehensive income.

2.6 Lease Accounting

On initial recognition, at inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use (ROU) Assets
The Company applies cost model, and measures the ROU asset at cost; - less any accumulated amortisation and any accumulated impairment losses; and - adjusted for any re-measurement of the lease liability for lease modifications. Generally, ROU asset would be equal to the lease liability. However, any additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. These need to be added to the ROU asset value.

Lease Liability
On initial recognition, the lease liability is computed as the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

- Increasing the carrying amount to reflect special commission expense on the lease liability.
- Reducing the carrying amount to reflect the lease payments made; and,
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

2 Significant accounting policies (continued)

2.7 Intangible assets

Identifiable intangible assets

Intangible assets comprise of computer software.

Expenditures on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment, if any.
Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Subsequent expenditures on software assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the statement of comprehensive income as incurred.

2.8 Investment properties

Investment properties comprises of freehold lands that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Investment property is stated at cost less accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Freehold lands are not depreciated.

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

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.

2 Significant accounting policies (continued)

2.10 Employees' end of service benefit

The Company operates a defined benefit scheme for its employees in accordance with labour regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in the retained earnings and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'salaries and employee related expenses' in the statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

2.11 Bank overdrafts

The bank overdrafts are the open overdraft facility the Company has signed with its bank to meet its liquidity and cash management requirements. This facility has defined limits and remains outstanding as per any drawdown balance at the end of the reporting period.

2.12 Accruals and other current liabilities

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. Provisions for restructuring costs, warranties and legal claims are recognised in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material

2.13 Zakat and income tax payables

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

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

Deferred tax liabilities are 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. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

2 Significant accounting policies (continued)

2.13 Zakat and income tax payables (Continued)

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

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

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

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

2.14 Value added tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. The other entities that transact business with the Company withhold taxes or recover VAT on services rendered to the Company.

2.15 Contingent liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

2.16 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers has established a five-step model to account for revenue arising from contracts with customers. The five step model is as follows:

a) *Identify the contract*
b) *Identify performance obligation*
c) *Determine the transaction price*
d) *Allocation of the transaction price*
e) *Recognise revenue*

The Company generates the following revenue streams that are covered:
a) *Income from asset management services*
b) *Income from corporate finance and advisory services*
c) *Other operating income*

2.16.1 Income from asset management services

2.16.1.1 Management and administration fees from investment funds

Management and administration fee income is recognised on a periodic basis (annual % pro-rated for daily accruals) with reference to the Net Asset Value ('NAV') or total assets computation. The Company's practice for recognition of management fees is aligned with IFRS since the Management fee is recognised on an accruals basis against the rendering of the Asset Management services that the Company is providing on an on-going basis.

2 Significant accounting policies (continued)

2.16.1.2 Subscription fees from investment funds

The performance obligation for the Subscription fee is the assignment of the respective Fund units to the Investor's account and considering that this occurs as soon as an Approved Subscription Form is executed, the Company recognises the revenue against the subscription fee at the time of the fulfilment of the performance obligation.

2.16.2 Income from corporate finance and advisory services

2.16.2.1 Corporate finance and advisory fee income

This relates to income generated by providing corporate finance and advisory services to financial institutions, individuals and institutional investors. The Company charges a service fees and recognises this as revenue upon delivery of services or once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

2.16.3 Other operating income

2.16.3.1 Net gain or loss on financial assets at fair value through statement of income

Net gains or losses on financial assets at FVSI are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVSI and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses on the disposal of financial instruments classified as at FVSI are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on financial instruments classified as at FVSI (excluding payments or receipts on collateral margin accounts for such instruments).

2.16.3.2 Performance fee from investment funds

The performance fee income is based on a fund's performance, relative to a benchmark or the realised appreciation of the fund's investments, and are types of variable consideration. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, the effect of the clawback does not apply since the Company does not recognise any revenue against the performance fee until the end of the respective period for testing. If the benchmark has been achieved, this is when the performance fee is crystallised and recorded as revenue.

2.16.3.3 Dividend income

Dividend income is recognised on the date when the Company's right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVOCI is recognised in the statement of comprehensive income in a separate line item.

2 Significant accounting policies (continued)

2.16.3 Other operating income (continued)

2.16.3.4 Special commission income and expense

Special commission income and expense for all commission-bearing financial instruments is recognised in the statement of comprehensive income on an effective yield basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

2.17 General and administration expenses

General and administration expenses are mainly professional fees and regular maintenance related expenses. All other expenses are classified based on their nature in the statement of comprehensive income.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Accounting standards effective during the year

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which were effective from January 1, 2020 but does not have significant impact on the financial statements of the Company.

- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

2.20 Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments which were effective from period on or after January 1, 2021. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9.
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- IFRS 17, 'Insurance contracts.

(All amounts in Saudi Riyals unless otherwise stated)

3 PROPERTY AND EQUIPMENT, NET

	Equipment	Office furniture	Computer hardware	Leasehold improvements	Motor vehicles	31 December 2020	31 December 2019
Cost:							
At the beginning of the year	1,834,634	735,492	2,518,605	3,786,067	292,339	**9,167,137**	8,977,682
Additions during the year	45,197	9,900	97,320	-	-	**152,417**	327,455
Disposals during the year	-	(42,905)	(131,584)	-	-	**(174,489)**	(138,000)
At the end of the year	1,879,831	702,487	2,484,341	3,786,067	292,339	**9,145,065**	9,167,137
Depreciation:							
At the beginning of the year	1,834,634	733,884	2,380,594	3,721,354	90,988	**8,761,454**	8,693,441
Charge for the year	6,012	1,594	104,912	12,991	48,768	**174,277**	206,013
Disposals during the year	-	(42,905)	(131,584)	-	-	**(174,489)**	(138,000)
At the end of the year	1,840,646	692,573	2,353,922	3,734,345	139,756	**8,761,242**	8,761,454
Net book amounts:							
At 31 December 2020	**39,185**	**9,914**	**130,419**	**51,722**	**152,583**	**383,823**	
At 31 December 2019	-	1,608	138,011	64,713	201,351		405,683

(All amounts in Saudi Riyals unless otherwise stated)

3 PROPERTY AND EQUIPMENT, NET (continued)

	Equipment	Office furniture	Computer hardware	Leasehold improvements	Motor vehicles	31 December 2019
Cost:						
At the beginning of the year	1,834,634	734,254	2,436,227	3,786,067	186,500	8,977,682
Additions during the year	-	1,238	82,378	-	243,839	327,455
Disposals during the year	-	-	-	-	(138,000)	(138,000)
At the end of the year	1,834,634	735,492	2,518,605	3,786,067	292,339	9,167,137
Depreciation:						
At the beginning of the year	1,825,101	732,383	2,270,772	3,678,685	186,500	8,693,441
Charge for the year	9,533	1,501	109,822	42,669	42,488	206,013
Disposals during the year	-	-	-	-	(138,000)	(138,000)
At the end of the year	1,834,634	733,884	2,380,594	3,721,354	90,988	8,761,454
Net book amounts:						
At 31 December 2019	-	1,608	138,011	64,713	201,351	405,683

(All amounts in Saudi Riyals unless otherwise stated)

4 INTAGIBLE ASSETS, NET

	31 December 2020	31 December 2019
Cost		
At the beginning of the year	**4,697,883**	4,598,497
Additions during the year	**14,465**	99,386
At the end of the year	**4,712,348**	4,697,883
Accumulated amortization		
At the beginning of the year	**4,375,290**	4,153,506
Charge during the year	**209,110**	221,784
At the end of the year	**4,584,400**	4,375,290
Net book value		
At the end of year	**127,948**	322,593

5 RIGHT-OF-USE ASSETS AND LEASE LIABILITY

a) Right of use asset

Set out below are the carrying amounts of Company's right of use assets and the movements during the year:

	31 December 2020	31 December 2019
Carrying amount at the beginning of the year	**1,821,722**	2,732,583
Reassessment during the year	**774,739**	-
Amortisation charge for year	**(842,800)**	(910,861)
Carrying amount at the end of the year	**1,753,661**	1,821,722

b) Lease liability

The movement in lease liabilities during the year are as follows:

	31 December 2020	31 December 2019
Lease liabilities at the beginning of the year	**1,852,871**	2,257,346
Reassessment during the year	**774,739**	-
Finance cost	**96,532**	70,762
Lease payments during the year	**(871,269)**	(475,237)
Lease liabilities at the end of the year	**1,852,873**	1,852,871
Non-current lease liabilities	**942,371**	942,369
Current lease liabilities	**910,502**	910,502

(All amounts in Saudi Riyals unless otherwise stated)

6 INVESTMENT PROPERTIES

Investment properties represent the following:

(a) Two plots of land in Al Khobar (Ishbailiya District), Saudi Arabia. The total cost of the investment is SR 27,175,368 (31 December 2019: SR 27,175,368) including survey and other fees of SR 1,683,000 (31 December 2019: SR 1,683,000). The title deeds of the investment properties are registered in the name of one of the shareholders of the Company through a trust agreement that confirms the holding of the land on behalf of the Company.

The movement in investment property balance during the year was as follows:

	31 December 2020	**31 December 2019**
At the beginning of the year	**35,773,551**	45,321,189
Disposal during the year	**(8,598,183)**	(9,547,638)
At the end of the year	**27,175,368**	35,773,551
Fair values as at the end of the year	**27,563,300**	47,160,831

During the year the Company made gain on sale of investment properties amounting to SR 1,075,014 (2019: SR 291,578).

The fair value of the investment properties is based on market values obtained from an independent valuer named White Cube real estate, licensed by Taqeem. These values are subject to the independent valuer's estimation uncertainties.

The significant unobservable inputs used in the fair value measurements of investment properties categorised within Level 3 of the fair value hierarchy as at 31 December 2020 and 31 December 2019 are as follows:

Investment property	**Valuation technique**	**Significant unobservable inputs**	**Description of valuation technique**
Land	Comparable market approach	Plot size Land area	Using this method, the market survey is done by valuer for similar land plots founded in the surrounding area and similar to targeted land by area size and in the same district.

(All amounts in Saudi Riyals unless otherwise stated)

7 INVESTMENT AT AMORTISED COST

Investments at amortised cost consists of the following debt instruments:

	Maturity date	31 December 2020	31 December 2019
Debt security issued by BNP Paribas	15 January 2021	**3,070,234**	3,016,543
Debt security issued by Mashreq Bank	26 February 2024	**1,455,346**	-
Saudi Government Sukuks*	25 July 2023 / 30 March 2050	**14,187,086**	10,000,000
Impairment charge for credit losses		**(2,235)**	(952)
Total investments at amortised cost		**18,710,431**	13,015,591
Current portion		**3,278,519**	236,170
Non-current portion		**15,431,912**	12,779,421
		18,710,431	13,015,591

* The Company has earned special commission income of SR 459,991 (2019: SR 350,000) on these Saudi Government Sukuk.

8 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments at fair value through other comprehensive income consist of investments in local equities. The movements are set out below:

	31 December 2020 Cost	Unrealised gain	Fair value
Local equities listed in Tadawul (note 8.1)	**36,896,937**	**5,095,956**	**41,992,893**

	31 December 2019 Cost	Unrealised gain	Fair value
Local equities listed in Tadawul (note 8.1)	32,839,997	1,926,245	34,766,242

8.1 Investment in local equities listed in Tadawul represents portfolios managed by a non-related local asset management company (Saudi Fransi Capital Company) licensed by the Capital Market Authority of Saudi Arabia.

(All amounts in Saudi Riyals unless otherwise stated)

9 INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)

Investments at FVSI consists of investments in local money market funds, mutual funds and real estate funds. The movements are set out below:

	31 December 2020		
	Cost	**Unrealised gain**	**Fair value**
Money market funds (note 9.1)	**32,543,300**	**52,056**	**32,595,356**
Equity funds (note 9.2)	**24,450,647**	**5,145,145**	**29,595,792**
Real Estate funds (note 9.3)	**65,661,173**	**4,920,027**	**70,581,200**
Local equities listed in Tadawul (note 9.4)	**994,750**	**181,650**	**1,176,400**
	123,649,870	**10,298,878**	**133,948,748**

	31 December 2019		
	Cost	**Unrealised Gain**	**Fair Value**
Money market funds (note 9.1)	90,723,782	447,692	91,171,474
Equity funds (note 9.2)	19,367,099	3,532,979	22,900,078
Real Estate funds (note 9.3)	42,896,495	1,234,253	44,130,748
Local equities listed in Tadawul (note 9.4)	3,565,782	67,627	3,633,409
	156,553,158	5,282,551	161,835,709

9.1 Investments in money market funds represent 10,965 units (31 December 2019: 21,029 units) and 381,488 units (31 December 2019: 2,109,843 units) in Commodity Trade Fund and Al Mubarak Trade Fund, respectively. Both funds are unlisted and managed by fund managers, other than the Company (Riyad Capital and ANB Invest respectively), licensed by the Capital Market Authority of Saudi Arabia.

9.2 Investments in equity funds represent 1,239 units (31 December 2019: 1,239 units) 1,250 units (31 December 2019: 1,250 units), 3,042 units (31 December 2019: 3,046 units) , 75,569 units (31 December 2019: 32,000 units) and 100,000 units (31 December 2019: 100,000 units) in the Company's managed Blom Saudi Arabia Fund, Blom Arab Market Balanced Fund, Al Mazaya Saudi Equity Fund, Blom MSCI Saudi Arabia Select Min Vol Fund and Blom Fund Of REITS Fund respectively. All these Company's managed mutual funds are unlisted.

9.3 Investment in real estate funds represent 1,400 units (31 December 2019: 1,400 units), 375 units (31 December 2019: 375 units), 12 units (31 December 2019: 12 units), 11,073 units (31 December 2019: Nil units) and 18,443 units (31 December 2019: Nil units) in the Company's managed unlisted Blom Okaz Real Estate Fund, Blom Solidere Real Estate Fund 3, Ammoriya Resorts Real Estate Fund, Al Rayan Residence Fund and Al Rabih Residence Fund respectively. Also, the Company has invested in 278,203 units (31 December 2019: 278,203 units) and 712 units (31 December 2019: 712 units) in Musharaka REIT fund and Mulkia Gulf Real Estate REIT fund, respectively, that are listed REIT funds and are managed by fund managers, other than the Company, licensed by the Capital Market Authority of Saudi Arabia.

9.4 Investment in local equities listed in Tadawul represents portfolios managed by a non-related local asset management company (Saudi Fransi Capital) licensed by the Capital Market Authority of Saudi Arabia.

(All amounts in Saudi Riyals unless otherwise stated)

10 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at hand	**428**	1,248
Bank balances	**46,259,667**	15,354,363
	46,260,095	15,355,611
Bank overdraft	-	(64,250)
Cash and cash equivalent	**46,260,095**	15,291,361

11 EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

The movement in employees defined benefit obligation for the year ended as follows:

	31 December 2020	31 December 2019
Balance at beginning of the year	**3,166,987**	2,569,473
Current service cost	**440,969**	441,617
Interest cost	**105,441**	90,707
Amount recognised in profit or loss account	**546,410**	532,324
Re-measurements		
Actuarial (gains) / losses – Experience adjustment	**(48,736)**	301,071
Amount recognised in OCI	**(48,736)**	301,071
Benefits paid during the year	**(476,149)**	(235,881)
Balance at the end of the year	**3,188,512**	3,166,987

The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2020 arising from the end of service benefits to qualifying in-service employees. The weighted average duration of the plan is 14 years (2019: 12 years).

Significant actuarial assumptions

The following were the principal actuarial assumptions:

	31 December 2020	31 December 2019
Key actuarial assumptions		
Financial assumptions		
Discount rate used	**3.00%**	3.60%
Salary growth rate	**2.00%**	2.60%
Demographic assumptions		
Retirement age	**60**	60

(All amounts in Saudi Riyals unless otherwise stated)

11 EMPLOYEES' END OF SERVICE BENEFITS (EOSB) (continued)

Sensitivity analysis

A reasonably possible change to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary inflation and discount rate assumptions that were performed at the previous and current valuation date:

	31 December 2020	31 December 2019
Discount Rate +0.5%	**2,982,044**	3,148,100
Discount Rate -0.5%	**3,414,338**	3,186,033
Long Term Salary Increases +0.5%	**3,415,494**	3,186,210
Long Term Salary Increases -0.5%	**2,979,122**	3,147,907

12 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge consists of the current year provision amounting to SR 3,134,728 (2019: SR 3,575,732)

The provision is based on the following:

	2020	2019
Equity	**338,348,276**	322,292,970
Opening balance of provisions and other adjustments	**24,454,493**	30,084,654
Book value of long term assets	**(72,610,093)**	(35,700,306)
	290,192,676	316,677,318
Adjusted profit for the year	**5,379,352**	12,421,425
Zakat base	**295,572,028**	329,098,743
Share of Saudi shareholder in the Zakat base @ 40%	**118,228,811**	126,670,927
Zakat charge on adjusted net profit @ 2.5%	**3,000,244**	310,536
Zakat charge on zakat base before adjusted profit @ 2.5777%	**134,484**	3,265,196
	3,134,728	3,575,732

The differences between the financial and zakat results are mainly due to provisions which are not allowed in the calculation of adjusted losses. The Company has estimated zakat charge for the year using 2.5777% and 2.5% for zakat base and adjusted profit respectively, as per relevant Zakat regulations applicable for year ended 31 December 2020.

(All amounts in Saudi Riyals unless otherwise stated)

12 ZAKAT AND INCOME TAX (continued)

b) *Income tax*

Charge for the year

The income tax charge consists of the current year provision amounting to SR 1,188,528 (2019: SR 2,774,268).

Calculation of adjusted net income

	2020	2019
Income before zakat and income tax	**12,288,242**	31,222,855
Temporary differences:		
Accounting depreciation	**383,388**	427,795
Repair and maintenance	**382,786**	-
Other provisions	**300,000**	(600,964)
Provision for employees benefits obligations	**70,260**	296,443
Gain on disposal of property and equipment	-	(8,000)
Depreciation at GAZT scale rates	**(532,549)**	(537,542)
Permanent differences:		
Value added tax	**1,308**	-
Withholding tax	**296,849**	46,221
Entertainment expenses	**15,559**	35,484
Adjusted net income for the year	**13,205,843**	30,882,292
Tax base at 60%	**7,923,512**	18,529,375
Brought forward losses	**(1,980,878)**	(4,658,034)
Estimated income tax at 20%	**1,188,527**	2,774,268
Deferred tax income	**(955,018)**	-
	233,509	2,774,268

Movement in zakat and income tax payable during the year

The movement in Zakat and income tax payable for the year ended 31 December 2020 and 31 December 2019 is as follows:

	Zakat	Income Tax	Total
Movement for the year ended 31 December 2020			
At the beginning of the year	**15,095,090**	**2,669,343**	**17,764,433**
Provided during the year	**3,134,728**	**1,188,527**	**4,323,255**
Provision no longer required written back*	**(4,345,828)**	**(3,387)**	**(4,349,215)**
Payments during the year	**(2,884,923)**	**(4,952,816)**	**(7,837,739)**
At the end of the year	**10,999,067**	**(1,098,333)**	**9,900,734**
Movement for the year ended 31 December 2019			
At the beginning of the year	12,524,312	537,322	13,061,634
Provided during the year	3,575,732	2,774,268	6,350,000
Payments during the year	(1,004,954)	(642,247)	(1,647,201)
At the end of the year	15,095,090	2,669,343	17,764,433

* During the year, the Company has reversed the additional provisions recorded up to year 2014 based on the premise that GAZT has opened the assessments from year 2015 onwards and assessments prior to 2015 are considered time barred, therefore additional provision for the uptil 2014 has been reversed. The reversal has been included in other income.

(All amounts in Saudi Riyals unless otherwise stated)

Movement in deferred tax during the year 2020

	Opening Deferred tax Asset / (liability)	Charged to statement of income	Charged to other comprehensive income	Closing Deferred tax Asset / (liability)
Property and equipment and intangible assets	-	320,212	-	**320,212**
Employees' end of service benefits (EOSB)	-	347,457	35,164	**382,621**
Provisions	-	36,000	-	**36,000**
Carry forward losses	-	251,349	-	**251,349**
	-	**955,018**	**35,164**	**990,182**
			Deferred tax asset	**990,182**
			Deferred tax liability	**-**

Status of assessment
The Company has filed its income tax and zakat declarations with the General Authority for Zakat and Income Tax "GAZT", for all periods up to the year ended 31 December 2019. No final assessment has been issued by the GAZT yet.

During the current year, GAZT has raised the Withholding Tax (WHT) assessments for the years 2013 to 2018 and demanded additional amount of SR 1.612 million (excluding delay fines). The Company has accepted and settled the liability to the extent of 0.585 million and is in the process of filing an appeal for the remaining amount. The deadline of filing an appeal is on 28 February 2021.

13 SHARE CAPITAL

	31 December 2020	31 December 2019
Ordinary shares (SR 10 per share)	**245,000,000**	245,000,000

Share capital of SR 245 million (31 December 2019: SR 245 million) is divided into 24,500,000 shares (31 December 2019: 24,500,000 shares) of SR 10 each, which is fully subscribed and paid.

14 STATUTORY RESERVES

As required by the Saudi Arabian Companies' Law, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to the statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

(All amounts in Saudi Riyals unless otherwise stated)

15 DIVIDENDS DECLARED

The Board of Directors declares the dividend and the shareholders during the Annual General Assembly, approved the cash dividend of 5% of share capital at SR 0.50 per share (2019: SR 0.50) for distribution from the retained earnings in its meeting held on 1 Dhul Qadah 1441H (corresponding to 22 June 2020). The cash dividend declared and paid is SR 12,250,000 (2019: SR 12,250,000). The Board of Directors in their meeting held on 9 Rabi Al-Akhar 1442H (corresponding to 24 November 2020) declares the dividend of 5% of share capital at SR 0.50 per share for distribution from the retained earnings after the approval of the General Assembly.

16 Other reserves

Other reserves comprise of below

	Remeasurement on EOSB	Fair value reserve for OCI equity investments	Total
Balance at the beginning of 1 January 2019	(53,520)	(1,807,277)	(1,860,797)
Other comprehensive income			
Fair value changes on equity investments at FVOCI	-	3,733,522	3,733,522
Re-measurement loss on EOSB	(301,071)	-	(301,071)
Balance at the end of 31 December 2019	**(354,591)**	**1,926,245**	**1,571,654**
Other comprehensive income			
Fair value changes on equity investments at FVOCI	-	**1,988,014**	**1,988,014**
Re-measurement loss on EOSB, net of deferred tax	**83,900**	-	**83,900**
Transfer to retained earnings on disposal of FVOCI equity investments	-	**1,181,697**	**1,181,697**
Balance at the end of 31 December 2020	**(270,691)**	**5,095,956**	**4,825,265**

17 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, Funds under the Company's management and entities controlled or significantly influenced by such parties. Transactions with related parties included in the statement of comprehensive income are as follows:

Related party	**Nature of transactions**	**Amount of transactions 2020**	**2019**
Mutual funds under management	Asset management fees income (note 17.1)	**16,087,014**	18,849,561
	Performance fees (note 17.2)	**323,332**	5,926,494
	Corporate finance and advisory fee	**1,000,000**	1,850,000
Sub-fund manager of real estate funds	Service fees expense (note 17.3)	-	(1,433,771)
	Waiver of developer fees (note 17.4)	-	7,495,637
Shareholder	Financial charges	**(44)**	(2,470)

(All amounts in Saudi Riyals unless otherwise stated)

17 RELATED PARTY TRANSACTIONS (Continued)

17.1 Asset management income represents the income from various funds calculated using agreed percentage of NAV or total assets according to the terms and condition of the funds managed by the Company calculated at each valuation date.

17.2 The Performance fees is in line with the terms and conditions of Blom Al Mazaya Saudi Equity Fund, the Company is entitled to a performance fee of 8% for any positive performance that exceeding the benchmark unit price.

17.3 Service fees expense as per the percentage of share set out in separate service agreements.

17.4 During prior year ended 31 December 2019, the Company and Amjal Real Estate (the developer) entered in to a settlement agreement to waive share of developer of management fees in relation to Blom Amjal North Real Estate Fund amounting to 7,495,637.

Related party	**Nature of balances**	**31 December 2020**	**31 December 2019**
Real estate funds under management	Due from related parties – Management fees	**86,618,668**	107,456,407
Equity funds under management	Due from related parties – Management fees	**178,417**	6,452,317
		86,797,085	113,908,724
Other receivables from related party	Due from related parties	**4,416,997**	3,938,573
Sub-fund manager of real estate funds	Due to related parties	**12,210,669**	17,789,779
Shareholder	Bank overdraft	**-**	64,250
	Current account	**2,578,725**	10,389,802

The summary of compensation to key management personnel and the Board of Directors for the years are as follows:

	31 December 2020	**31 December 2019**
Salaries and employee related benefits	**6,551,017**	6,362,065

18 GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020	**31 December 2019**
Legal and professional fees	**1,633,839**	868,443
Funds managing expense	**1,099,707**	987,207
Subscriptions	**1,011,412**	360,753
Amortisation of right of use asset (note 5)	**842,800**	910,861
Maintenance contract	**681,556**	756,271
Depreciation and amortisation (note 3 and 4)	**383,388**	427,797
Utilities	**209,533**	182,453
Advertisement and marketing expense	**194,404**	13,861
Office supplies and courier expense	**151,650**	164,977
Others	**517,277**	1,304,802
	6,725,566	5,977,425

(All amounts in Saudi Riyals unless otherwise stated)

19 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2020 and December 2019.

	31 December 2020	31 December 2019
Financial assets at amortised cost		
Investments at amortised cost (note 7)	**18,710,431**	13,015,591
Due from related parties – Management fees (note 17)	**86,797,085**	113,908,724
Due from related parties (note 17)	**4,416,997**	3,938,573
Financial assets at fair value through OCI		
Local equities listed in Tadawul (note 8.1)	**41,992,893**	34,766,242
Financial assets at fair value through statement of income		
Money market funds (note 9.1)	**32,595,356**	91,171,474
Equity funds (note 9.2)	**29,595,792**	22,900,078
Real Estate funds (note 9.3)	**70,581,200**	44,130,748
Local equities listed in Tadawul (note 9.4)	**1,176,400**	3,633,409
Total financial assets	**285,866,154**	327,464,839

Set out below is an overview of financial liabilities held by the Company as at 31 December 2020 and 31 December 2019.

	31 December 2020	31 December 2019
Financial liabilities at amortised cost		
Bank overdraft	**-**	64,250
Due to related parties	**12,210,669**	17,789,779
Lease liabilities	**1,852,873**	1,852,871
Total financial liabilities at amortised cost	**14,063,542**	19,706,900

(All amounts in Saudi Riyals unless otherwise stated)

20 FAIR VALUE HIERARCHY

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2020 and 31 December 2019. There are no financial liabilities measured at fair value. The fair value of other financial assets and financial liabilities approximate their carrying value.

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
As at 31 December 2020				
Financial assets measured at fair value				
Money market funds	**32,595,356**	-	**32,595,356**	-
Equity funds	**29,595,792**	-	**29,595,792**	-
Real Estate funds	**70,581,200**	-	**70,581,200**	-
Local equities listed in Tadawul	**43,169,293**	**43,169,293**	-	-
Financial assets measured at amortised cost				
Investments at amortised cost	**19,333,050**	**19,333,050**	-	-
As at 31 December 2019				
Financial assets measured at fair value				
Money market funds	91,171,474	-	91,171,474	-
Equity funds	22,900,078	-	22,900,078	-
Real Estate funds	44,130,748	-	44,130,748	-
Local equities listed in Tadawul	38,399,651	38,399,651	-	-
Financial assets measured at amortised cost				
Investments at amortised cost	13,531,400	13,531,400	-	-

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, and credit risk and investment holding period risk arising from the financial instruments it holds.

Risk management structure
The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk measurement and reporting system

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

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

	31 December 2020	**31 December 2019**
Due from related parties – management fees	**86,797,085**	113,908,724
Investments at amortised cost	**18,710,431**	13,015,591
Investments at fair value through profit or loss	**133,948,748**	161,835,709
Due from related parties	**4,416,997**	3,938,573
Cash and cash equivalents	**46,260,095**	15,355,611
	290,133,356	308,054,208

(All amounts in Saudi Riyals unless otherwise stated)

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit concentration
Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The geographical concentration of the credit risk is as below:

	31 December 2020	31 December 2019
Kingdom of Saudi Arabia	**283,029,051**	294,647,863
France	**3,070,234**	3,016,543
Lebanon	**2,578,725**	10,389,802
United Arab Emirates	**1,455,346**	-
	290,133,356	308,054,208

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents, time deposits, due from related parties and other financial assets.

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 sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by ensuring that sufficient funds are available from Shareholders and related parties at all times to meet any future commitments, and financing facilities are available.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

31 December 2020	**On Demand**	**Within 3 months**	**3 months to 1 year**	**Above 1 year**	**No fixed maturity**	**Total**
Due to related parties	-	-	**12,210,669**	-	-	**12,210,669**
Lease liabilities	-	**451,336**	**459,166**	**942,371**	-	**1,852,873**
Total financial liabilities	-	**451,336**	**12,669,835**	**942,371**	-	**14,063,542**
31 December 2019						
Bank overdraft	64,250	-		-	-	64,250
Due to related parties	-	-	17,789,779	-	-	17,789,779
Lease liabilities	-	451,334	459,166	942,371	-	1,852,871
Total financial liabilities	64,250	451,334	18,248,945	942,371	-	19,706,900

(All amounts in Saudi Riyals unless otherwise stated)

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the commission gaps for stipulated periods. The Company's investments in debt securities carry fixed commission rates. The Company is not exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2020	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
Financial assets					
Investments at amortised cost	3,278,519	-	15,431,912	-	**18,710,431**
Investments at FVOCI	-	-	-	41,992,893	**41,992,893**
Investments at FVSI	-	-	-	133,948,748	**133,948,748**
Due from related parties - management fees	-	-	-	86,797,085	**86,797,085**
Due from related parties	-	-	-	4,416,997	**4,416,997**
Cash and cash equivalents	-	-	-	46,260,095	**46,260,095**
Total financial assets	**3,278,519**	**-**	**15,431,912**	**313,415,818**	**332,126,249**
Financial liabilities					
Due to related parties	-	-	-	12,210,669	**12,210,669**
Lease liabilities	451,336	459,166	942,371	-	**1,852,873**
Total financial liabilities	**451,336**	**459,166**	**942,371**	**12,210,669**	**14,063,542**
On balance sheet gap	**2,827,183**	**(459,166)**	**14,489,541**	**301,205,149**	**318,062,707**
Net non-financial assets / (liability)					**19,027,488**
Total net assets					**337,090,195**
Total yield / commission rate risk sensitivity gap	**2,827,183**	**(459,166)**	**14,489,541**	**301,205,149**	
Cumulative yield / commission rate risk sensitivity gap	**2,827,183**	**2,368,017**	**16,857,558**	**318,062,707**	

(All amounts in Saudi Riyals unless otherwise stated)

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (Continued)

2019	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
Financial assets					
Investments at amortised cost	236,170	-	12,779,421	-	13,015,591
Investments at FVOCI	-	-	-	34,766,242	34,766,242
Investments at FVSI	-	-	-	161,835,709	161,835,709
Due from related parties - management fees	-	-	-	113,908,724	113,908,724
Due from related parties	-	-	-	3,938,573	3,938,573
Cash and cash equivalents	-	-	-	15,355,611	15,355,611
Total financial assets	236,170	-	12,779,421	329,804,859	342,820,450
Financial liabilities					
Bank overdraft	64,250	-	-	-	64,250
Due to related parties	-	-	-	17,789,779	17,789,779
Lease liabilities	451,334	459,166	942,371	-	1,852,871
Total financial liabilities	515,584	459,166	942,371	17,789,779	19,706,900
On balance sheet gap	(279,414)	(459,166)	11,837,050	312,015,080	323,113,550
Net non-financial assets / (liability)					15,234,726
Total net assets					338,348,276
Total yield / commission rate risk sensitivity gap	(279,414)	(459,166)	11,837,050	312,015,080	
Cumulative yield / commission rate risk sensitivity gap	(279,414)	(738,580)	11,098,470	323,113,550	

Equity price risk
Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of geographical distribution and/or industry concentration.

21 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis
The table below sets out the effect on profit or loss and other comprehensive income of a reasonably possible weakening /strengthening in the individual equity market prices by 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

Effect on profit and loss	**2020**		**2019**	
	+ 5%	**58,820**	+ 5%	8,091,786
Net gain on investments held at FVSI	- 5%	**(58,820)**	- 5%	(8,091,786)

Effect on other comprehensive income	**2020**		**2019**	
Net gain on investments held at FVOCI	+ 5%	**2,099,644**	+ 5%	1,738,312
	- 5%	**(2,099,644)**	- 5%	(1,738,312)

Concentration of equity price risk
The following table analyses the Company's concentration of equity price risk in the Company's equity portfolio, measured at FVSI and FVOCI, by geographical distribution (based on counterparties' place of primary listing or, if not listed, place of domicile).

% of equity securities and units in managed funds

	31 December 2020	**31 December 2019**
Kingdom of Saudi Arabia	**100%**	100%

The following table analyses the Company's concentration of equity price risk in the Fund's equity portfolio by industrial distribution:

% of equity securities and units in managed funds measured at FVSI and FVOCI

	31 December 2020	**31 December 2019**
Listed equities - Financial	**14,999,664**	15,983,548
Listed equities - Non – Financial	**28,169,629**	22,416,103
	43,169,293	38,399,651

<u>*Currency risk*</u>
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US dollars during the year and Saudi Riyals are pegged to the US dollar.

Capital risk management
The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensurating with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. The minimum capital and total capital ratios are given in note 23 to these financial statements.

22 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company, in the normal course of business, has not committed any guarantees during the year and has no outstanding guarantees from prior years. As at 31 December 2020, The Company does not have any capital commitments. (2019: nil).

23 CAPITAL ADEQUACY

The Capital Market Authority has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2020 SR'000	31 December 2019 SR'000
Capital base		
Tier I	330,876	338,026
Tier II	5,096	-
Total	**335,972**	338,026
Minimum capital		
Credit risk	155,672	121,326
Market risk	5,646	19,649
Operational risk	5,526	5,576
Total	**166,844**	146,551
Capital adequacy ratio	**2.01**	2.31
Surplus	**169,128**	191,475

a) The Capital Base of the Company comprises of

- Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves, intangibles and deferred tax asset.
- Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.

b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.

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

24 CUSTOMERS' FUNDS

The assets under management outstanding at end of the year including mutual funds and discretionary portfolios amounted to SR 3,952,629,386 (2019: SR 3,894,635,682).

(All amounts in Saudi Riyals unless otherwise stated)

25 CORRESPONDING FIGURES

For the purpose of better presentation, certain reclassifications have been made in these financial statements. The details of the reclassifications are as follows:

Statement	Reclassified from	Reclassified to	Amount
Statement of financial position	Retained earnings	Other reserves	1,571,654
Statement of financial position	Non-current assets - Investments at amortised cost	Current assets - Investments at amortised cost	236,170
Statement of comprehensive income	Income from asset management services	Income from corporate finance and advisory services	1,850,000
Statement of comprehensive income	General and administration expenses	Salaries and employee related expenses	13,958,822

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 24 February 2021 (corresponding to 12 Rajab 1442H).