AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR’S REPORT

Al Khair Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
Consolidated financial
Statements for the year ended December 31, 2020

Contents **Pages**

Independent auditor's report to the shareholders of Al Khair Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, IFRS 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 Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Independent auditors' report to the shareholders of Al Khair Capital Saudi Arabia Company (continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Bader I. Benmohareb
License Number 471

March 16, 2021

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	As at December 31, 2019
Assets			
Current assets			
Cash and cash equivalents	4	**595,236**	660,203,783
Accounts receivable, prepayments and other assets	5	**78,492,337**	24,465,590
Receivable against margin lending	6	**61,389,000**	44,800,000
		140,476,573	729,469,373
Non-current assets			
Intangible assets	8	**212,175**	259,311
Property and equipment, net	9	**12,622,570**	2,029,281
Investment in an associate	10	**13,688,683**	12,412,586
Investments held at fair value through statement of income	11	**74,733,850**	70,787,982
Investments held at fair value through other comprehensive income	11	**-**	55,315,549
Investments held at amortised cost	11	**663,833,333**	6,666,666
Investment properties, net	12	**126,980,473**	130,477,414
		892,071,084	277,948,789
Total assets		**1,032,547,657**	1,007,418,162
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accrued expenses and other liabilities	13	**1,963,144**	1,535,963
Lease liabilities	14	**2,644,492**	-
Provision for zakat and income tax	15	**2,042,766**	1,126,926
		6,650,402	2,662,889
Non-current liabilities			
Lease liabilities	14	**4,407,757**	-
Employees' termination benefits	16	**11,966,693**	8,967,819
		16,374,450	8,967,819
Total liabilities		**23,024,852**	11,630,708
Shareholders' equity			
Share capital	17	**1,000,000,000**	1,000,000,000
Statutory reserve	18	**1,455,050**	-
Other reserves	11,16	**(3,281,213)**	(2,490,984)
Retained earnings / (accumulated losses)		**11,348,968**	(1,721,562)
		1,009,522,805	995,787,454
Total liabilities and shareholders' equity		**1,032,547,657**	1,007,418,162
Capital commitments and contingencies	22		

The notes from 1 to 28 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2020	2019
Operating income			
Profit spread based on implicit rate of murabaha contracts from assets held under fiduciary capacity		**32,620,399**	28,267,308
Income from short-term murabaha placements		**15,116,082**	12,451,899
Rental income from investment properties		**9,084,000**	9,084,000
Asset management fee		**6,905,041**	2,930,807
Brokerage fee		**5,818,673**	2,824,192
Income from margin lending		**3,498,056**	1,266,997
Dividend income		**1,856,968**	788,840
Advisory fee		**1,631,500**	1,431,944
Realized gain on financial assets		**543,155**	730,833
Custody fee		**41,800**	53,160
Unrealised (loss) / gain on changes in fair value of financial assets at FVSI		**(739,688)**	1,410,859
Total operating income		**76,375,986**	61,240,839
Operating expenses			
Salaries and employee-related expenses		**(41,819,210)**	(37,306,708)
General and administrative expenses	20	**(11,208,991)**	(7,939,692)
Depreciation and amortization	8, 9, 12	**(7,643,182)**	(4,852,168)
Rental and premises related expenses		**-**	(1,046,930)
Finance costs		**(125,071)**	-
Total operating expenses		**(60,796,454)**	(51,145,498)
Income from operations		**15,579,532**	10,095,341
Other income			
Share of results of associate	10	**1,276,097**	2,701,416
Income before zakat and income tax		**16,855,629**	12,796,757
Zakat for the current year	15.1	**(2,029,760)**	(1,116,382)
Income tax for the current year	15.1	**(13,006)**	(10,544)
Zakat and income tax for prior years	15.2	**(262,361)**	(1,543,205)
Net income for the year		**14,550,502**	10,126,626
Basic and diluted earnings per share attributable to the shareholders of the Company based on:	21		
Income from operations		**0.16**	0.13
Net income for the year		**0.15**	0.13
Weighted average number of shares		**100,000,000**	75,509,642

The notes from 1 to 28 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2020	2019
Net income for the year		**14,550,502**	10,126,626
Other comprehensive income			
Items that will not be reclassified subsequently to the consolidated statement of income:			
- Re-measurement of employees' termination benefits	16	**(670,778)**	(2,610,435)
- Changes in fair value of financial assets at FVOCI		**42,660**	3,574,859
Other comprehensive (loss) / income for the year		**(628,118)**	964,424
Total comprehensive income for the year		**13,922,384**	11,091,050

The notes from 1 to 28 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings / (accumulated losses)	Total
January 1, 2019	300,000,000	-	281,986	(15,585,582)	284,696,404
Issue of new shares (Note 17)	700,000,000	-	-	-	700,000,000
Net income for the year	-	-	-	10,126,626	10,126,626
Other comprehensive income for the year	-	-	964,424	-	964,424
Total comprehensive income for the year	-	-	964,424	10,126,626	11,091,050
Realised gain on disposal of financial assets at FVOCI	-	-	(3,737,394)	3,737,394	-
December 31, 2019	1,000,000,000	-	(2,490,984)	(1,721,562)	995,787,454
January 1, 2020	**1,000,000,000**	**-**	**(2,490,984)**	**(1,721,562)**	**995,787,454**
Accumulated losses of subsidiary (prior year)	**-**	**-**	**-**	**(187,033)**	**(187,033)**
Net income for the year	**-**	**-**	**-**	**14,550,502**	**14,550,502**
Other comprehensive loss for the year	**-**	**-**	**(628,118)**	**-**	**(628,118)**
Total comprehensive income for the year	**-**	**-**	**(628,118)**	**14,550,502**	**13,922,384**
Transfer to statutory reserve	**-**	**1,455,050**	**-**	**(1,455,050)**	**-**
Realised gain on disposal of financial assets at FVOCI	**-**	**-**	**(162,111)**	**162,111**	**-**
December 31, 2020	**1,000,000,000**	**1,455,050**	**(3,281,213)**	**11,348,968**	**1,009,522,805**

The notes from 1 to 28 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended December 31,	
	Note	**2020**	**2019**
Cash flows from operating activities:			
Income before zakat and income tax		**16,855,629**	12,796,757
Adjustments for non-cash items:			
Depreciation and amortization	8,9,12	**7,643,182**	4,852,168
Provision for employees' termination benefits	16	**2,395,737**	1,891,400
Unrealised loss / (gain) on changes in fair value of financial assets held at FVSI		**739,688**	(1,410,859)
Share of results of an associate	10	**(1,276,097)**	(2,701,416)
Finance costs	9	**125,071**	-
Changes in working capital:			
Accounts receivable, prepayments and other assets		**(54,026,747)**	652,723
Receivable against margin lending		**(16,589,000)**	(31,011,046)
Accrued expenses and other liabilities		**427,181**	(253,699)
Lease liabilities		**10,170,844**	-
Employees' termination benefits paid	16	**(67,641)**	(454,821)
Zakat and income tax paid	15	**(1,457,179)**	(14,051,379)
Net cash used in operating activities		**(35,059,332)**	(29,690,172)
Cash flows from investing activities:			
Net additions to investments in financial assets	11	**(606,613,155)**	(9,440,013)
Purchase of property and equipment and intangible assets	8,9	**(14,692,394)**	(1,506,111)
Net cash used in investing activities		**(621,305,549)**	(10,946,124)
Cash flows from financing activities:			
Payment of lease liabilities	14	**(3,243,666)**	-
Proceeds from issue of shares	17	**-**	700,000,000
Net cash (used in) / generated from financing activities		**(3,243,666)**	700,000,000
Net change in cash and cash equivalents		**(659,608,547)**	659,363,704
Cash and cash equivalents at the beginning of the year		**660,203,783**	840,079
Cash and cash equivalents at the end of the year	4	**595,236**	660,203,783
Supplemental non-cash information:			
Changes in fair value of financial assets at FVOCI		**42,660**	3,574,859
Re-measurement loss on employees' termination benefits	16	**(670,778)**	(2,610,435)

The notes from 1 to 28 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Al Khair Capital Saudi Arabia Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010264915 issued in Riyadh on Rabi Al Awwal 27, 1430H (corresponding to March 24, 2009) and under license No. 08120-37 issued by the Capital Market Authority's ("CMA") Resolution No. 2008-35-4 dated Dhul Quaddah 7, 1429H (corresponding to November 5, 2008).

The principal activities of the Company are to act as an agent, principal, underwriter and to provide arranging and advisory services. The Company's activities also include establishment and management of funds and investment portfolios including real estate.

The Company's registered office is located at the following address:

Al Khair Capital Saudi Arabia Company
King Abdul Aziz Road
P.O. Box 69410
Riyadh 11547, Kingdom of Saudi Arabia

The accompanying consolidated financial statements include the consolidated financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"):

Subsidiaries	**Country of Incorporation**	**Ownership%**
Al Khair Capital Real Estate Fund LLC.	Kingdom of Saudi Arabia	100%
Almaalomah Almaliah Company	Kingdom of Saudi Arabia	100%

Al Khair Capital Real Estate Fund LLC ("ACREF") is a limited liability company, registered under commercial registration No. 1010325452 dated 21 Safar 1433H (corresponding to January 15, 2012) in the Kingdom of Saudi Arabia, and is wholly owned by the Company through direct and beneficial ownership. The Company owns 95% of ACREF's share capital and the remaining 5% is owned by one of the members of the Company's Board of Directors on behalf of the Company. The principal activity of ACREF is the management of real estate funds, however, ACREF has not commenced commercial operations as of December 31, 2020.

Almaalomah Almaliah Company ("AAC") is a limited liability company, registered under commercial registration No. 1010637453 dated 16 Shawal 1441H (corresponding to June 8 2020) in the Kingdom of Saudi Arabia, and is wholly owned by the Company. The Company owns 100% of "AAC" share capital. The principal activity of "AAC" is programming and designing special software, however, ACC has not commenced commercial operations as of December 31, 2020.

The accompanying consolidated financial statements were approved by the Board of Directors of the Company on March 10, 2021.

2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Statement of Compliance

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

(ii) Basis of measurement

These consolidated financial statements have been prepared:

- under the historical cost convention except for:
    - fair valuation of investments at fair value through other comprehensive income (FVOCI) or at fair value through statement of income (FVSI).
    - employees' termination benefits carried at their present value using actuarial valuation.
- using the accrual basis of accounting.

(iii) Functional and presentation currency

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

(iv) New standards effective in the current year

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

- 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

(v) Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as set out in note 1 to these consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Significant intra group balances and transactions if any, are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed to or has a right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. Specifically, the Group controls an entity if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

The Group offers certain investment management and advisory services to its customers. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds. Determining whether the Group controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Group in the fund and the investor's right to remove the fund manager. Based on the assessment carried out by the Group, it has been concluded that it acts as an agent for the investors in all cases and therefore it has not consolidated these investment funds in these financial statements.

2.2 Critical accounting estimates and judgments

The preparation of consolidated 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 Group'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.

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

a) Employees' termination benefits
b) Impairment of financial assets
c) Investment property

2.3 Foreign currency translation

(a) Transactions and balances

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

(b) Group companies

The results and financial position of foreign subsidiaries and associates, if any, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
(ii) Income and expenses for each statement of income are translated at average exchange rates; and
(iii) Components of the equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates, if any, into Saudi Riyals, if material, are reported as a separate component of equity.

Dividends received from an associate, if any, are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of income.

When investment in a foreign subsidiary or an associate, if any, is partially disposed-off or sold, currency translation differences that were recorded in equity are recognized in the consolidated statement of income as part of gain or loss on disposal or sale.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank and other short-term highly liquid investments, if any, with original maturities of three months or less from the acquisition date, which are available to the Group without any restrictions.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

2.5 Financial Instruments

(i) Initial recognition

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

(ii) Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income, or through the statement of income), and
- those to be measured at amortized cost.

Debt instruments

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

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the "SPPI" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest (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 Group classifies its debt instruments into one of the three measurement categories as described in (iii) below.

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.

Classification and subsequent measurement of Group's equity instruments is described in (iii) below.

(iii) Measurement

At initial recognition, the Group measures financial assets at its fair value plus or minus, in the case of a financial asset not at fair value through the consolidated statement of income, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVSI are expensed in the consolidated statement of income.

Subsequent measurement of debt instrument

It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in the consolidated statement of income when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method.
b) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through consolidated statement of comprehensive income, except for the recognition of impairment gains or losses, interest on financial instruments (revenue) and foreign exchange gains and losses which are recognized in the consolidated statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in statement of comprehensive income is reclassified from equity to the consolidated statement of income and recognized in other gains/(losses). Interest from these financial assets is included in finance income using the effective yield method.

c) Fair value through statement of income (FVSI): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of income. A gain or loss on a debt investment that is subsequently measured at fair value through statement of income and is not part of a hedging relationship is recognized in consolidated statement of income and presented net in the consolidated statement of income within other gains/(losses) in the year in which it arises. Interest from these financial assets is included in the finance income.

Subsequent measurement of equity instruments
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 consolidated 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 dividends is established.

(iv) Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated. For example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 Group's original expectations, the Group 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.

2.6 Impairment of financial assets

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

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

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

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

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 Group that are subjected to ECL review include bank balances, accounts receivables and receivable against margin lending.

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which are payable on demand and expected to be settled in the next 12 months. Other exposure includes placement with banks and financial institutions which have a sound credit rating as at the reporting date and therefore the Group considers that they have low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralises its margin lending facilities by 200% and they are liquidated once the collateral value decrease to 120%, hence the Group has zero loss given default against margin financing facilities.

2.6.1 Stages of impairment under IFRS 9

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

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Group'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 Group or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

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

2.6.2 Transfer criterions

Stage 1 to Stage 2

- If the amount is more than 30 days past due.
- For margin lending receivables, if the collateral value is decreased to 180% but not below 120%, the facility is transferred in stage 2.

Stage 2 to Stage 3

- If the amount is more than 90 days past due.
- For margin financing receivables, if the collateral value is decreased to 120% or below, the facility is considered to be credit impaired and the Group calls for liquidation.

2.6.3 Expected credit loss measurement

Significant increase in credit risk:

The Group 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 increase in the days past due of the counterparty by 30 days or more at the reporting date, or
- For margin financing receivables, when the collateral value is decreased to 180% but not below 120%, the facility is considered to have a significant increase in credit risk.

Qualitative criteria:

If the counterparty meets one or more of the following criteria:

- Extension to the terms granted
- Previous arrears within the last [12] months
- Significant adverse changes in business, financial and/or economic conditions in which the counterparty operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the counterparty

Definition of default:

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Group, or
- the collateral value against margin financing facility is decreased to 120% or below.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status or cross default by the same customer on another obligation; and
- based on data developed internally and obtained from external sources.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model has been developed internally considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome which includes macroeconomic factors. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective interest rate) of the difference between:

(a) The contractual cash flows that are due to the Group under the contract; and
(b) The cash flows that the Group expects to receive.

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which is payable on demand and expected to be settled in the next 12 months. Other exposures include placement with banks and financial institutions which has a sound credit rating as at the reporting date and therefore the Group considers that it has low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralise their margin financing facilities by 200% and they are liquidated once the collateral value decrease to 120%, hence Group has zero LGD against margin financing facilities.

Incorporation of forward-looking information:

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. A macroeconomic adjustment is applied to the PD in order to incorporate forward looking outcome.

2.7 Financial liabilities

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

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

2.8 Fair value measurement

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

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 they act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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

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

2.9 De-recognition of financial instruments

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

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

2.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.11 Impairment of non-financial assets

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

2.12 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged to the consolidated statement of income, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Furniture and fixtures	8
Office equipment	3
Vehicles	5
Computer hardware	3-10

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including normal repair and maintenance, are recognized in the consolidated statement of income as and when incurred.

2.13 Intangible assets

Intangible assets mainly comprise computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized in the consolidated statement of income on a straight-line basis over the estimated useful life of the software which is 1 to 3 years.

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

2.14 Investment properties

Investment property (land or building and/or part of a building) is property held by the Group to earn rental income or for capital appreciation, or both, rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and / or for undetermined use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (except for land which is carried at cost), net of impairment losses (if any). Depreciation is charged to the consolidated statement of income, using straight-line method to allocate the costs of the related assets to their residual values over their estimated useful lives which is 33 years. The Group follows cost model of IAS 40 for subsequent measurement of investment properties. For the purpose of computing impairment losses, at each reporting period an evaluation is conducted of investment properties at fair value, which reflects market conditions at the reporting date. Any impairment loss identified is recorded in the consolidated statement of income. Fair values are determined based on an evaluation performed by an accredited external, independent valuer.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is the carrying value at the date of change/transfer. If owner-occupied property becomes an investment property, the Group accounts for it in accordance with the policy stated under property and equipment up to the date of change.

2.15 Revenue

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

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

Based on the above five steps, the revenue recognition policies for the various revenue stream are as follow:

- Advisory fee income is recognized when the services are rendered under the applicable service contracts. There are no multiple performance obligations and no corresponding asset or liability is recorded against the fulfilment of the obligation.
- Brokerage commission is recognized when the deal is executed and is recognized net of Tadawul commission and discounts allowed to customers. The performance obligation for the Group is satisfied when the customer carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.
- Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") or a fixed management fee subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognised. The Group as a fund manager charges asset management fees to its Funds on account of management, administration, subscription and custody on the rates agreed under offer documents of each fund.
- Custodian fee income is recognized on an accrual basis.
- Dividend income is recognized when the right to receive dividend is established.
- Rental income on the investment property is recognised on the accrual basis over the lease term.

2.16 Assets managed and held under fiduciary capacity

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

2.17 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- which are engaged in revenue producing activities;
- results of whose operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information for which is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.18 Employees' termination benefits

The Group provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on an independent actuarial valuation, in accordance with the requirements of IAS 19 "Employee Benefits" using projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in consolidated statement of comprehensive income and are included in other reserves in the consolidated statement of changes in shareholders' equity and in the consolidated statement of financial position.

2.19 Zakat and income tax

Zakat and income taxes are presented in the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Under Saudi Arabian Zakat and Income tax laws, zakat and income taxes are the liabilities of the shareholders. Zakat is computed on the higher of share of equity or net income attributable to Saudi shareholders of the parent company. Income taxes are computed on the share of net income for the year attributable to the foreign shareholders of the parent company.

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

2.20 Accrued expenses and other labilities

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

2.21 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

2.22 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.
Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding consolidated statement of income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

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

2.23 Value added tax (VAT)

The Group is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

(All amounts in Saudi Riyals unless otherwise stated)

2.24 Contingent assets and 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 recognized but are disclosed where an inflow of economic benefits is probable.

3 New standards and interpretations issued but not yet effective

The International Accounting Standard Board (IASB) has issued the following new accounting standards and amendments which were effective from periods on or after January 1, 2021. The Group has opted not to early adopt these pronouncements and they are not expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- 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.

4 Cash and cash equivalents

	As at December 31,	
	2020	**2019**
Cash in hand	**5,000**	295
Cash at banks	**590,236**	2,845,122
	595,236	2,845,417
Short term murabaha (Note 4.1)	**-**	657,358,366
	595,236	660,203,783

4.1 During the previous year, the Group held placements with financial institutions as an interest-bearing deposit, based on prevailing market rates, having maturity within ninety days from the date of acquisition.

5 Accounts receivable, prepayments and other assets

	As at December 31,	
	2020	**2019**
Short-term advance to clients (Note 5.1)	**49,098,235**	-
Accrued income from assets managed and held under fiduciary capacity	**9,440,890**	6,432,371
Unallocated margin advance (Note 5.2)	**4,716,000**	-
Accrued rental income	**4,542,000**	4,542,000
Accrued management fees	**4,075,803**	2,799,980
Prepayments	**2,040,609**	1,676,283
Advances to employees	**1,961,149**	3,594,013
Accrued advisory fee	**1,239,128**	2,360,341
Brokerage fee receivable	**872,726**	845,653
Security deposits	**189,123**	189,123
Accrued murabha income	**-**	2,166,541
Due from a related party (Note 7.1)	**-**	87,245
Other	**1,096,674**	1,782,040
	79,272,337	26,475,590
Impairment allowance for credit losses	**(780,000)**	(2,010,000)
	78,492,337	24,465,590

5.1 During the year, the Group lend short term advance to some clients that was cleared subsequent to year end.

5.2 During the year, the Group had a portion of unallocated margin advance that was approved and allocated to the respective clients subsequent to the period end.

(All amounts in Saudi Riyals unless otherwise stated)

Movement in impairment allowance for credit losses is as follows:

	2020	2019
Balance as at January 1	**2,010,000**	2,010,000
Utilised during the year	**(1,230,000)**	-
Balance as at December 31	**780,000**	2,010,000

6 Receivable against margin lending

The Group extends margin lending facilities (trade limits and murabaha based margin lending contracts) to its customers to invest in the Saudi stock exchange, and investment funds. These facilities have tenure up to a maximum period of one year.

7 Related party matters

In the ordinary course of its activities, the Group transacts business with related parties. Related parties include associate and affiliated companies; funds managed by the Group; the Board of Directors; and key management personnel. Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Group.

	Note	2020	2019
7.1 Significant related party balances			
Due from AlKhair Capital Dubai Ltd (Associate)	5	**-**	87,245
Due to Bank Al Khair BSC (Shareholder)	13	**-**	(134,553)
7.2 Significant related party transactions			
Advisory fee on issuance of Dar Al Arkan Sukuk		**750,000**	1,125,000
Expenses paid on behalf of the Group, net		**15,000**	14,307
7.3 Compensation paid to key management personnel			
Salaries and other employee-related benefits		**15,640,388**	13,201,121

8 Intangible assets

	2020	2019
Cost:		
Balance as at January 1	**4,775,567**	3,899,322
Additions during the year	**1,024,653**	876,245
Balance as at December 31	**5,800,220**	4,775,567
Accumulated amortisation:		
Balance as at January 1	**4,516,256**	3,517,925
Charge for the year	**1,071,789**	998,331
Balance as at December 31	**5,588,045**	4,516,256
Net book value	**212,175**	259,311

(All amounts in Saudi Riyals unless otherwise stated)

9 Property and equipment, net

	2020						
	Furniture and fixtures	**Office equipment**	**Vehicles**	**Computer hardware**	**Capital work in progress**	**Buildings (ROU)**	**Total**
Cost							
Balance as at January 1	**3,662,234**	**106,412**	**458,780**	**2,875,607**	**-**	**-**	**7,103,033**
Additions during the year	**2,999,987**	**3,600**	**-**	**296,088**	**175,000**	**10,193,066**	**13,667,741**
Balance as at December 31	**6,662,221**	**110,012**	**458,780**	**3,171,695**	**175,000**	**10,193,066**	**20,770,774**
Accumulated depreciation							
Balance as at January 1	**3,338,386**	**92,920**	**439,071**	**1,203,375**	**-**	**-**	**5,073,752**
Charge for the year	**71,231**	**10,154**	**5,120**	**376,554**	**-**	**2,611,393**	**3,074,452**
Balance as at December 31	**3,409,617**	**103,074**	**444,191**	**1,579,929**	**-**	**2,611,393**	**8,148,204**
Net book value	**3,252,604**	**6,938**	**14,589**	**1,591,766**	**175,000**	**7,581,673**	**12,622,570**

	2019						
	Furniture and fixtures	**Office equipment**	**Vehicles**	**Computer hardware**	**Capital work in progress**	**Buildings (ROU)**	**Total**
Cost							
Balance as at January 1	3,577,789	106,412	458,780	2,330,186	-	-	6,473,167
Additions during the year	84,445	-	-	545,421	-	-	629,866
Balance as at December 31	3,662,234	106,412	458,780	2,875,607	-	-	7,103,033
Accumulated depreciation							
Balance as at January 1	3,289,971	78,736	431,099	917,050	-	-	4,716,856
Charge for the year	48,415	14,184	7,972	286,325	-	-	356,896
Balance as at December 31	3,338,386	92,920	439,071	1,203,375	-	-	5,073,752
Net book value	323,848	13,492	19,709	1,672,232	-	-	2,029,281

(All amounts in Saudi Riyals unless otherwise stated)

The movement in right of use assets (Buildings) is as follows:

	2020	**2019**
Opening / adoption of IFRS 16	**-**	-
Additions during the year	**10,193,066**	-
Depreciation charge for the year	**(2,611,393)**	-
Closing	**7,581,673**	-

The consolidated statement of income includes the following amounts related to leases:

	Note	**As at December 31,**	
		2020	**2019**
Depreciation charge of right of use assets		**2,611,393**	-
Expense relating to short term leases	20	**353,805**	-
Finance cost		**125,071**	-

10 Investment in associate

	Nature	**Principle activity**	**Place of incorporation**	**As at December 31,**	
				2020	**2019**
Al Khair Capital (Dubai) Ltd ("ACD")	Associate	Advisory services & asset management	UAE	**13,688,683**	12,412,586

Movement in investment in associate during the year is as follows:

	As at December 31,	
	2020	**2019**
Balance as at January 1	**12,412,586**	9,711,170
Share of results of associate	**1,276,097**	2,701,416
Balance as at December 31	**13,688,683**	12,412,586

The Group owned 100% shareholding in ACD since its inception, however in November 2018, the Group partially disposed of its investments in ACD, causing the shareholding to decrease to 33.34% and thus resulting in loss of control over ACD. ACD is now accounted for as investment in an associate using equity method of accounting. As per the latest financial information of ACD, net assets and net income as of and for the year ended December 31, 2020 amounts to USD 10.949 million (2019: USD 9.963 million) and USD 1.36 million (2019: USD 2.16 million) respectively.

(All amounts in Saudi Riyals unless otherwise stated)

11 Investments in financial assets

	Note	As at December 31, 2020	2019
a) Financial assets at FVOCI:			
Listed equities		**-**	55,315,549
b) Financial assets at FVSI:			
Al Khair Capital Saudi Margin Lending Fund		**50,819,147**	29,918,814
Al Khair Aramco Private Fund		**9,224,603**	16,713,516
Baitk Liquidity Fund		**5,260,350**	5,192,395
Al Khair Capital Sukuk Plus Fund		**4,408,722**	4,183,788
Al Khair Capital Saudi Equity Fund		**2,973,808**	1,437,841
Al Khair IPO Fund		**1,597,220**	1,078,156
Al Khair Capital Murabaha Fund		**450,000**	12,263,472
Total financial assets at FVSI		**74,733,850**	70,787,982
c) Financial assets at amortised cost:			
Financial assets on long term basis	c (i)	**661,000,000**	-
Less: credit loss allowance (ECL)	c (ii)	**(500,000)**	-
		660,500,000	-
Al Yusr Baitek Financing Fund		**3,333,333**	6,666,666
Total financial assets at amortised cost		**663,833,333**	6,666,666
Total investments in financial assets		**738,567,183**	132,770,197

c (i) During the year, the Company entered into three business deals with three different counterparties amounting to SAR 245 million, SAR 240 million and SAR 176 million respectively and acquired rights to use real estate assets with a view to gain future economic benefit from these properties. Each contract is for a period of ten years with agreed profit rates in range of 5% to 8% per annum based on the performance of the assets. The Company retains rights to exit from these deals at any time with full consideration paid back to the Company.

c (ii) The financial assets on long term basis are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

Presented below is the summary of the movement in investments:

	2020	2019
Balance as at January 1	**132,770,197**	118,344,466
Purchase of investments during the year	**687,020,081**	115,196,099
Disposal / redemption of investments during the year	**(80,569,223)**	(106,486,919)
Credit loss allowance (ECL)	**(500,000)**	-
Realized gain on disposal of investments during the year	**705,266**	4,468,227
Changes in fair value	**(859,138)**	1,248,324
Balance as at December 31	**738,567,183**	132,770,197

(All amounts in Saudi Riyals unless otherwise stated)

12 Investment properties, net

	2020	2019
Cost:		
Balance as at January 1	**151,450,000**	151,450,000
Balance as at December 31	**151,450,000**	151,450,000
Accumulated depreciation:		
Balance as at January 1	**20,972,586**	17,475,645
Charge for the year	**3,496,941**	3,496,941
Balance as at December 31	**24,469,527**	20,972,586
Net book value	**126,980,473**	130,477,414

Investment properties represent apartment buildings in two blocks having title deeds no. 710121024572 and 410120028126 within the territory of Al-Qasr project, located in Riyadh and occupying total area of 24,816 square meters, which were purchased during 2013 and sub-leased for rental. The most recent valuation of the investment properties was on early 2019. Management has concluded that there are no significant changes in the economic environment and as a result, the fair value of investment properties as at December 31, 2020 is not significantly different compared to the prior year. The fair value of investment properties is Saudi Riyals 167.3 million (2019: Saudi Riyals 167.3 million).

13 Accrued expenses and other liabilities

	As at December 31,	
	2020	2019
Accrued liabilities	**1,339,609**	980,281
Accrued social security payable	**302,000**	245,671
Due to a related party (Note 7.1)	**-**	134,553
Other	**321,535**	175,458
	1,963,144	1,535,963

14 Lease liabilities

	As at December 31,	
14.1 The breakup of lease liabilities is as follows;	2020	2019
Current	**2,644,492**	-
Non-current	**4,407,757**	-
	7,052,249	-

14.2 The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	As at December 31,	
	2020	2019
Future lease payments	**6,874,409**	-
Discounting impact at incremental borrowing rate	**177,840**	-
	7,052,249	-

14.3 The total cash outflow for leases during the year was SAR 3,243,666 (2019: Nil).

(All amounts in Saudi Riyals unless otherwise stated)

15 Provision for zakat and income tax

15.1 The significant components of zakat base are principally comprised of the following:

	As at December 31, 2020	2019
Zakat Base		
Shareholders' equity - beginning of the year	**995,787,454**	284,696,404
Provisions	**9,680,178**	6,475,984
Share capital used for investments		10,946,122
Lease liabilities – Current	**2,644,492**	-
Lease liabilities - Non- Current	**4,407,757**	-
Property and equipment and investment properties, net	**(139,815,218)**	(130,464,958)
Receivables against margin lending	**(61,389,000)**	-
Investments	**(751,479,769)**	(142,481,367)
Subtotal zakat base	**59,835,894**	29,172,185
Saudi shareholding percentage	**99.44%**	99.72%
Zakat base attributable to Saudi shareholders of the parent company	**59,498,899**	29,089,103
Zakat on zakat base (A)	**1,537,895**	749,825
Adjusted profit based on shareholding change	**19,263,097**	14,662,289
Estimated zakat on adjusted profit attributable to Saudi shareholders of the parent company (B)	**478,865**	366,557
Estimated zakat for the year (A + B)	**2,016,760**	1,116,382

The zakat is calculated at 2.578% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

Taxable Income	As at December 31, 2020	2019
Saudi and GCC shareholder(s) before change in shareholding	**-**	5,079,454
Saudi and GCC shareholder(s) after change in shareholding	**19,154,608**	9,582,835
Taxable income	**19,154,608**	14,662,289
Foreign shareholding percentage	**0.56%**	0.28%
Non-GCC shareholder(s) before change in shareholding	**-**	48,680
Non-GCC shareholder(s) after change in shareholding	**108,490**	27,370
Taxable income of ultimate foreign shareholders	**108,490**	76,050
Less: payment against provisions	**(7,308)**	(4,318)
Losses brought forward up to extent of 25% of adjusted profit	**(25,295)**	(19,012)
Non-Saudi shareholder share of used amount of the provisions	**(10,856)**	-
Taxable income of ultimate foreign shareholders after adjustment of brought forward losses up to extent of 25%	**65,030**	52,720
Income tax calculated at 20%	**13,006**	10,544

15.2 Movement in provision for zakat and income tax during the year is as follows:

	Company		ACREF		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Balance as at January 1	**1,126,926**	12,508,174	**-**	-	**1,126,926**	12,508,174
Prior period provision adjusted with equity	**-**	-	**67,892**	-	**67,892**	-
Provision for the current year	**2,029,766**	1,126,926	**13,000**	-	**2,042,766**	1,126,926
Provision for prior years	**251,969**	1,543,205	**10,392**	-	**262,361**	1,543,205
Payments during the year	**(1,378,896)**	(14,051,379)	**(78,283)**	-	**(1,457,179)**	(14,051,379)
Balance as at December 31	**2,029,766**	1,126,926	**13,001**	-	**2,042,766**	1,126,926

(All amounts in Saudi Riyals unless otherwise stated)

15.3 Status of assessment

The Group has finalized its assessment with the General Authority of Zakat and Tax ("GAZT") for the years 2009 to 2014 and settled the liabilities under a settlement agreement with GAZT by paying a total sum of SAR 13 million. Accordingly, the Group has booked an additional provision of SAR 1.54 million for prior years. The Group received zakat and tax assessment for the year ended December 31, 2018 aggregating to SAR 3,442,888. The Group filed objection against the assessment, decision of which is awaiting from the GAZT.

The Group has also filed its tax returns for the years 2015 to 2017 and 2019, which are currently under GAZT review. In addition, the rate used to calculate zakat during the year is 2.585% (366 days) due to leap year.

16 Employees' termination benefits

16.1 The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	As at December 31,	
	2020	**2019**
Present value of defined benefit obligation	**11,966,693**	8,967,819
Fair value of plan assets	**-**	-
	11,966,693	8,967,819

16.2 Movement in the provision for employees' termination benefits is as follows:

	2020	**2019**
Balance as at January 1	**8,967,819**	4,920,805
Charge to statement of income – current service and interest cost	**2,395,737**	1,891,400
Charge to statement of comprehensive income – experience adjustments and changes in financial assumptions	**670,778**	2,610,435
Payments during the year	**(67,641)**	(454,821)
Balance as at December 31	**11,966,693**	8,967,819

16.3 The significant assumptions used in determining employees' termination benefits are shown below:

	As at December 31,	
	2020	**2019**
Discount rate	**2.00%**	2.95%
Future salary increases	**1.05%**	2.00%

16.4 A quantitative sensitivity analysis for significant assumptions on the employees' termination benefits are shown below:

	As at December 31,	
Discount rate	**2020**	**2019**
0.5 % increase	**(479,433)**	(363,993)
0.5% decrease	**519,198**	394,249
Future salary increases		
0.5% increase	**345,876**	234,185
0.5% decrease	**(323,837)**	(219,481)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of reporting period.

(All amounts in Saudi Riyals unless otherwise stated)

17 Share capital

As at December 31, 2020, the authorized, issued and fully paid up share capital of the Group was Saudi Riyals 1,000 million divided into 100 million shares (December 31, 2019: 100 million shares) with a nominal value of Saudi Riyals 10 each.

Increase in share capital by Saudi Riyals 700 million
During the year ended December 31, 2019, the CMA gave its approval to the Group to increase its share capital from Saudi Riyals 300 million to Saudi Riyals 1,000 million. This increase was proposed by the Board of Directors of the Group and approved by the General Assembly on May 8, 2019 and accordingly, reflected in the consolidated statement of changes in shareholders' equity during the year ended December 31, 2019.

Due to the increase, Bank Al Khair BSC, which was the ultimate controlling party in prior years lost its control over the Group. Currently, the shareholding is split into different parties and there is no one ultimately controlling the entire Group.

18 Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Group is required to establish a statutory reserve by the appropriation of 10% of annual net income after absorption of accumulated losses, until such reserve equals 30% of its share capital.

19 Assets held in trust or in a fiduciary capacity

The Group holds clients' money in omnibus accounts at a local bank to carry out its dealing, managing and custodial activities. As at December 31, 2020, the clients' cash accounts held by the Group amounted to Saudi Riyals 11,334 million (2019: Saudi Riyals 10,020 million). Consistent with the accounting policy mentioned in note 2.16, such balances are not included in the Group's consolidated financial statements as these are held in fiduciary capacity.

20 General and administrative expenses

	December 31, 2020	**December 31, 2019**
Marketing and promotion expenses	**4,288,927**	1,861,118
Telecommunications	**1,468,302**	981,531
Membership and subscription	**1,076,277**	970,533
Professional and consulting	**637,670**	653,635
Travel and advertising	**559,498**	1,718,330
Credit loss allowance (ECL)	**500,000**	-
Rental and premises related expenses	**353,805**	-
Financial charges	**335,718**	127,064
Repairs and maintenance	**101,188**	107,736
Other	**1,887,606**	1,519,745
	11,208,991	7,939,692

21 Earnings per share

Earnings per share for the years ended December 31, 2020 and 2019 has been computed by dividing the income from operations and net income for the year by weighted average number of shares outstanding during the year.

(All amounts in Saudi Riyals unless otherwise stated)

22 Capital commitments and contingencies

Aside from the details in the status of zakat and income tax assessment (note 15.3), no capital commitments or contingencies are outstanding as at the reporting date.

23 Segment information

The Group operates and conducts its business activities in the Kingdom of Saudi Arabia. Before disposal of its subsidiary Al Khair Capital (Dubai) Ltd, the business activities were also conducted in United Arab Emirates. For management purposes, the Group is organized into business lines based on services provided and has the following reportable segments:

a. **Asset Management** - this includes the management of conventional assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates and custody.
b. **Brokerage and advisory** - this includes the brokerage and execution services by providing access to Saudi Arabian and International markets and the extension of margin facilities for these markets for customers.
c. **Investments** - this includes business line such as investment banking, proprietary investments and real estate investments.
d. **Other** - this includes other business lines such as corporate development and other control and support functions.

Selected financial information as at December 31 and for the year then ended, summarized by business segments, is as follows:

	Asset management	**Brokerage and advisory**	**Investments**	**Other**	**Total**
December 31, 2020					
Total assets	**131,328,777**	**68,708,460**	**814,321,379**	**18,189,041**	**1,032,547,657**
Total liabilities	**-**	**-**	**-**	**(23,024,852)**	**(23,024,852)**
Total income	**40,877,054**	**10,948,229**	**25,826,800**	**-**	**77,652,083**
Total expenses	**(24,818,538)**	**(6,797,213)**	**(17,319,714)**	**(11,860,989)**	**(60,796,454)**
Income before zakat and tax	**16,058,515**	**4,151,016**	**8,507,087**	**(11,860,989)**	**16,855,629**
December 31, 2019					
Total assets	74,423,180	46,882,712	875,889,848	10,222,422	1,007,418,162
Total liabilities	-	-	-	(11,630,708)	(11,630,708)
Total income	33,538,912	5,523,132	24,827,051	53,160	63,942,255
Total expenses	(22,031,026)	(4,204,699)	(14,080,183)	(10,829,590)	(51,145,498)
Income before zakat and tax	11,507,886	1,318,433	10,746,868	(10,776,430)	12,796,757

The Group is organised into one main geographical unit based on its products and services as well as customers' profiles, as follows:

a. **Saudi Arabia** - the main geographical segment to focus on local customers and operate as a supervisory unit for other geographical segment. Main activities of this segment include advisory, arrangement, brokerage, custody, asset management and financial investments.

Management monitors the results of its operations on a consolidated basis, based on customers' profiles for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between geographical segments were on an arm's length basis in a manner similar to transactions with third parties.

24 Fair value estimation

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. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices / Net Asset Value or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(All amounts in Saudi Riyals unless otherwise stated)

	Carrying amount				Fair values			
Accounting classifications and fair values	**Fair value through statement of income**	**Fair value through OCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2020								
Financial assets								
Financial assets carried at fair value								
Investment in mutual funds	**74,733,850**	**-**	**-**	**74,733,850**	**14,690,099**	**60,043,751**	**-**	**74,733,850**
Investment in listed equities	**-**	**-**	**-**	**-**				
Financial assets not carried at fair value								
Cash and cash equivalents	**-**	**-**	**595,236**	**595,236**	**-**	**-**	**595,236**	**595,236**
Investment in Al Yusr Baitek Financing Fund	**-**	**-**	**3,333,333**	**3,333,333**	**-**	**-**	**-**	**-**
Accounts receivable and other current assets	**-**	**-**	**74,490,579**	**74,490,579**	**-**	**-**	**-**	**-**
Receivable against margin lending	**-**	**-**	**61,389,000**	**61,389,000**	**-**	**-**	**-**	**-**
Financial assets on long term basis	**-**	**-**	**660,500,000**	**660,500,000**	**-**	**-**	**-**	**-**
	74,733,850	**-**	**800,308,148**	**875,041,998**	**14,690,099**	**60,043,751**	**595,236**	**75,329,086**
Financial liabilities								
Financial liabilities not carried at fair value								
Lease liabilities	**-**	**-**	**7,052,249**	**7,052,249**	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**-**	**-**	**1,963,144**	**1,963,144**	**-**	**-**	**-**	**-**
	-	**-**	**9,015,393**	**9,015,393**	**-**	**-**	**-**	**-**
December 31, 2019								
Financial assets								
Financial assets carried at fair value								
Investment in mutual funds	70,787,982	-	-	70,787,982	24,155,652	46,632,330	-	70,787,982
Investment in listed equities	-	55,315,549	-	55,315,549	55,315,549	-	-	55,315,549
Financial assets not carried at fair value								
Cash and cash equivalents	-	-	660,203,783	660,203,783	-	-	660,203,783	660,203,783
Investment in Al Yusr Baitek Financing Fund	-	-	6,666,666	6,666,666	-	-	-	-
Accounts receivable and other current assets	-	-	22,724,094	22,724,094	-	-	-	-
Receivable against margin lending	-	-	44,800,000	44,800,000	-	-	-	-
	70,787,982	55,315,549	734,394,543	860,498,074	79,471,201	46,632,330	660,203,783	786,307,314
Financial liabilities not carried at fair value								
Accrued expenses and other liabilities	-	-	1,535,963	1,535,963	-	-	-	-
	-	-	1,535,963	1,535,963	-	-	-	-

The financial assets and financial liabilities included in the above table that are carried at amortised cost; their carrying values are reasonably approximates to their fair value.

24.1 Fair valuation techniques

The following tables show the valuation techniques used in measuring Level 2 fair values.

Type	Valuation techniques
Financial assets held at FVSI	Valuation is based on the NAV received from fund managers.
Inter-relationship between significant observable inputs and fair value measurement.	The estimated fair value would increase (decrease) if there is a change in the inputs used for valuation as discussed above.

24.2 Transfers between level 1 and 2

There have been no transfers between Level 1 and Level 2 during the reporting periods.

25 Financial risk management

The Group’s objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group’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 Group’s continuing profitability.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

25.1 Credit risk

Credit risk is the risk that a customer of the Group will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables and maintaining accounts with reputable, creditworthy banks. The Group has established policies and procedures for timely recovery of trade debts. With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying specific controls in accordance with the Group policies and procedures. Any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Group’s exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the margin lending.

Other assets mainly comprise of accrued income and receivables relate to Murabaha trading portfolios. The accrued income mainly relates to amounts due on account of asset management services and is settled within a short period of time. The Murabaha trading portfolios have adequate coverage ratios and are closely monitored and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Group’s exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the placements and other assets.

(All amounts in Saudi Riyals unless otherwise stated)

Exposure

	December 31, 2020	**December 31, 2019**
Financial assets on long term basis	**660,500,000**	-
Investment in mutual funds	**78,067,183**	46,632,330
Account receivables and other assets	**74,138,208**	18,940,957
Receivable against margin lending	**61,389,000**	44,800,000
Cash and bank balance	**595,236**	660,203,783
	874,689,627	770,577,070

25.1.1 Credit risk measurement

The assessment of credit risk of a financial assets carried at amortised requires further estimations of credit risk using Expected Credit Loss (ECL) which is derived by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which are payable on demand and expected to be settled in the next 12 months. Other exposure includes placement with banks and financial institutions which has a sound credit rating as at the reporting date and therefore the Group considers that it has low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralise their margin financing facilities by 200% and they are liquidated once the collateral value decrease to 120%, hence Group has zero LGD against margin financing facilities.

The financial assets on long term basis are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

25.1.2 Concentration of credit risk

The concentration of credit risk is the risk that the Group is exposed to if they invested all their assets in one sector or one industry. The Group provides margin lending financing to individual customers inside the Kingdom of Saudi Arabia. The Group also has a mix of investments in equities, money market and in other forms, both inside and outside the Kingdom of Saudi Arabia to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

At December 31, the credit risk exposure for financial assets by geographic location is as follows:

	December 31, 2020	**December 31, 2019**
Inside Kingdom of Saudi Arabia	**204,748,737**	104,532,548
Outside Kingdom of Saudi Arabia	**669,940,890**	666,044,522
	874,689,627	770,577,070

At December 31, the credit risk exposure for financial assets by type of customer is as follows:

	December 31, 2020	**December 31, 2019**
Corporates or financial institutions	**811,924,563**	723,874,865
Individuals	**62,765,064**	46,702,205
	874,689,627	770,577,070

25.2 Market risk

Interest rate risk

Interest rate risk arises from the possibility that the changes in interest rates will affect either the fair values or the future cash flows of the financial instruments. The Group's interest rate risks arise mainly from its receivables against margin lending and murabaha deposits, which are subject to re-pricing on a regular basis. Management believes that the interest rate risk to the Group is not significant.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and the Group is not significantly exposed to currency risk.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Group is exposed to market risk with respect to its investments in listed equities and mutual funds. The Group limits market risks by diversification of its investments.

Management's best estimate of the effect on consolidated statements of income and comprehensive income for a year due to a reasonably possible change in NAV and prices of listed equity securities, with all other variables held constant is indicated in the table below. An equivalent decrease shown below would have resulted in an equivalent, but opposite, impact.

		Effect on the consolidated statement of income for the years ended	
Variable	**Change in NAV%**	**December 31, 2020**	**December 31, 2019**
Net Asset Value (NAV)	±5	**3,736,693**	3,539,399
	±10	**7,473,385**	7,078,798

		Effect on the consolidated statement of comprehensive income for the years ended	
Variable	**Change in Value%**	**December 31, 2020**	**December 31, 2019**
Prices of listed securities	±5	**-**	2,765,777
	±10	**-**	5,531,555

25.3 Liquidity risk

Liquidity risk is the risk that an enterprise 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 monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Group's liquidity management process is as follows:

a) Day-to-day funding, managed by the finance department to ensure that liquidity requirements can be met and this includes replenishment of funds as they mature or are invested:
b) Monitoring balance sheet liquidity ratios against internal and regulatory requirements
c) Managing the concentration and profile of debt maturities
d) Liquidity management and asset and liability mismatching

	2020		2019	
	Due within 1 year	**Due after 1 year**	**Due within 1 year**	**Due after 1 year**
Lease liabilities	**2,644,492**	**4,407,757**	-	-
Accrued expenses and other liabilities	**1,963,144**	**-**	1,535,963	-
Total	**4,607,606**	**4,407,757**	1,535,963	-

26 Regulatory capital requirements and capital adequacy ratio:

In accordance with Capital Market Authority (the CMA) circular no. X/6/11098/14 dated November 19, 2014 read in conjunction with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio as at December 31, 2020 and 2019:

	Amounts in SAR '000'	
	2020	**2019**
Capital base:		
Tier 1 capital	**1,009,311**	995,409
Tier 2 capital	**-**	119
Total capital base	**1,009,311**	995,528
Minimum capital requirement:		
Market risk	**23,602**	4,113
Credit risk	**640,798**	161,285
Operational risk	**15,199**	12,786
Total minimum capital required	**679,599**	178,184
Capital adequacy ratio:		
Tier 1 capital ratio (time)	**1.49**	5.59
Tier 2 capital ratio (time)	**0.00**	0.00
Total capital ratio (time)	**1.49**	5.59
Surplus in Capital	**329,712**	817,344

(a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2020 to be submitted and December 31, 2019 as submitted to CMA.
(b) The capital base consists of Tier 1 and Tier 2 capital as per Article 4 and 5 of the Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
(c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
(d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website (www.alkhaircapital.com.sa). However, such information is not subject to review or audit by the external auditors of the Company.

27 Subsequent events

There have been no significant subsequent events after the date of consolidated statement of financial position until the date of approval of these consolidated financial statements.

28 Impacts of COVID-19 on the Group

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activity. The Group has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for employees (such as social distancing and working from home).

Management believe that there is minimal impact on the Group from COVID-19 pandemic. The margin lending portfolio shows an increase as compared to December 31, 2019. In addition, the Company assessed that there is minimal risk on collections of margin lending as the policy of lending to the customers is 1:1. The only negative effect on the Company was the impact on equity funds that are related to management fees and investment in equity. There was a decline in Tadawul's index with the outbreak of the pandemic due to uncertainty as the decline has resulted in unrealized revaluation losses in the funds such decline has been recovered in the third quarter. The Group will continue to follow the Government's policies and advice and, in parallel, the Group will do utmost to continue operations in the best and safest way possible without jeopardising the health and safety of its employees.