ITQAN CAPITAL
(A CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

ITQAN CAPITAL
(A closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditor's report to the shareholders of Itqan Capital Company

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Independent auditor's report to the shareholders of Itqan Capital Company (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Mufaddal Ali
License Number 447

March 25, 2021

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
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C.R. 4030289002

ITQAN CAPITAL
(A closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
Assets			
Non-current assets			
Property and equipment	4	**4,035,226**	4,713,967
Right-of-use assets	5	**1,526,118**	1,983,865
Investment properties	6	**6,578,731**	6,751,413
Financial assets at fair value through profit or loss	7	**39,935,608**	42,854,804
Total non-current assets		**52,075,683**	56,304,049
Current assets			
Financial assets at fair value through profit or loss	7	**12,405,171**	11,021,955
Prepayments and other assets	8	**4,187,640**	11,784,460
Cash and cash equivalents	9	**5,635,487**	1,598,164
Total current assets		**22,228,298**	24,404,579
Total assets		**74,303,981**	80,708,628
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	**56,042,030**	111,229,140
Accumulated losses		**(8,791,562)**	(52,397,168)
Net shareholders' equity		**47,250,468**	58,831,972
Liabilities			
Non-current liabilities			
Lease liabilities	5	**1,433,595**	1,702,691
Employee benefit obligations	12	**1,218,309**	1,366,327
Total non-current liabilities		**2,651,904**	3,069,018
Current liabilities			
Trade and other payables	13	**7,836,588**	2,853,156
Lease liabilities	5	**337,241**	417,556
Tax and zakat liabilities	14	**7,630**	183,549
Short-term murabaha financing	15	**16,220,150**	15,353,377
Total current liabilities		**24,401,609**	18,807,638
Total liabilities		**27,053,513**	21,876,656
Total shareholders' equity and liabilities		**74,303,981**	80,708,628

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Revenue			
Income from services	16	**6,089,311**	5,216,492
Income from investments		**-**	44,843
Dividends income		**1,501,782**	782,335
Net changes in fair value of financial assets at fair value through profit or loss	7	**1,259,288**	(8,341,476)
Net realized gain from sale of debt financial assets at fair value through profit or loss	7	**133,553**	76,141
Net realized gain from sale of financial assets at fair value through other comprehensive income		**-**	4,013
Other operating income, net		**406,100**	378,157
		9,390,034	(1,839,495)
Expenses			
Salaries and wages		**(11,793,811)**	(9,243,661)
Depreciation on property and equipment	4	**(317,718)**	(252,665)
Depreciation on right-of-use assets	5	**(457,747)**	(405,494)
Depreciation on investment properties	6	**(172,682)**	(178,258)
Impairment losses on property and equipment	4	**(791,606)**	-
Impairment losses on investment properties	6	**-**	(350,695)
Other operating expenses	17	**(6,072,352)**	(5,068,572)
Total operating expenses		**(19,605,916)**	(15,499,345)
Net operating losses		**(10,215,882)**	(17,338,840)
Other income		**87,673**	-
Finance costs	18	**(1,342,803)**	(458,524)
Loss before zakat and income tax		**(11,471,012)**	(17,797,364)
Zakat expense	14	**-**	(361,861)
Income tax expense	14	**-**	-
Loss for the year		**(11,471,012)**	(18,159,225)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of financial asset at fair value through other comprehensive income	7	**-**	103,267
Items that will not be reclassified to profit or loss			
Loss on remeasurements of employee benefits obligations	12	**(110,492)**	(235,198)
Other comprehensive loss for the year		**(110,492)**	(131,931)
Total comprehensive loss for the year		**(11,581,504)**	(18,291,156)
Loss per share for losses from operations			
Loss per share for the year	25	**(1.13)**	(1.63)
Loss per share for total comprehensive losses			
Loss per share for the year	25	**(1.14)**	(1.64)

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Other reserve – FVOCI financial assets	Accumulated losses	Total
At 1 January 2019		111,229,140	(103,267)	(34,002,745)	**77,123,128**
Loss for the year		-	-	(18,159,225)	**(18,159,225)**
Other comprehensive loss for the year		-	103,267	(235,198)	**(131,931)**
Total comprehensive loss for the year		-	103,267	(18,394,423)	**(18,291,156)**
At 31 December 2019		111,229,140	-	(52,397,168)	**58,831,972**
At 1 January 2020		**111,229,140**	**-**	**(52,397,168)**	58,831,972
Loss for the year		**-**	**-**	**(11,471,012)**	(11,471,012)
Other comprehensive loss for the year		**-**	**-**	**(110,492)**	(110,492)
Total comprehensive loss for the year		**-**	**-**	**(11,581,504)**	**(11,581,504)**
Absorption of accumulated losses through capital reduction	10	**(55,187,110)**	**-**	**55,187,110**	**-**
At 31 December 2020		**56,042,030**	**-**	**(8,791,562)**	**47,250,468**

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flow from operating activities			
Loss before zakat and income tax		**(11,471,012)**	(17,797,364)
Adjustments for non-cash items			
Depreciation on property and equipment	4	**317,718**	252,665
Depreciation on right-of-use assets	5	**457,747**	405,494
Depreciation on investment properties	6	**172,682**	178,258
Current service cost and interest cost of employees' termination benefits	12	**212,266**	387,580
Net changes in fair value of financial assets at fair value through profit or loss	7	**(1,259,288)**	8,341,476
Gain from disposals of financial assets at fair value through profit or loss	7	**(133,553)**	(76,141)
Gain from disposals of financial assets at fair value through other comprehensive income		**-**	(4,013)
Impairment losses on property and equipment	4	**791,606**	-
Impairment losses on investment properties	6	**-**	350,695
Interest on lease liabilities	5	**99,189**	105,147
Finance cost	17	**866,773**	353,377
Changes in operating assets and liabilities:			
Prepayments and other assets		**7,596,820**	(2,418,393)
Trade and other payables		**4,983,432**	(1,479,328)
Cash generated from (used in) operations		**2,634,380**	(11,400,547)
Employees' termination benefits paid	12	**(470,776)**	-
Zakat and income tax paid	14	**(175,919)**	(579,241)
Net cash inflow (outflow) from operating activities		**1,987,685**	(11,979,788)
Cash flow from investing activities			
Purchase of property and equipment		**(430,583)**	(1,008,718)
Investments in financial assets at fair value through profit or loss		**(11,970,000)**	(16,412,569)
Proceeds from sale of financial assets at fair value through profit or loss		**14,898,821**	12,464,363
Proceeds from sale of financial assets at fair value through other comprehensive income		**-**	2,330,438
Net cash inflow (outflow) from investing activities		**2,498,238**	(2,626,486)
Cash flow from financing activities			
Proceeds from short-term murabaha financing	15	**-**	15,000,000
Principle elements of lease payments	5	**(448,600)**	(364,700)
Net cash (outflow) inflow from financing activities		**(448,600)**	14,635,300
Net change in cash and cash equivalents		**4,037,323**	29,026
Cash and cash equivalents at beginning of year	9	**1,598,164**	1,569,138
Cash and cash equivalents at end of year	9	**5,635,487**	1,598,164
Absorption of accumulated losses through capital reduction	10	**(55,187,110)**	-

The accompanying notes form an integral part of these financial statements.

1 General information

Itqan Capital ("the Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 4030167335 dated 16 Safar 1428H (corresponding to 6 March 2007) and the Capital Market Authority (CMA) license number 37-07058 according to the decision of the authority number 9-17-2007 dated 21 Rabi Awal 1428H (corresponding to 9 April 2007). The Company was permitted to commence operation on 23 Rabi Thani 1429H (corresponding to 29 April 2008). The Company is located in Jeddah, Al-Zahraa District, Ahmed Al Attas Street, P.O. Box 8021 Postal code 21482.

The financial statements include the accounts of the Company's head office in Jeddah and its branch in Riyadh with commercial registration No. 1010477289 dated 3 Rabi Awal, 1440H (corresponding to 12 November 2018).

The objectives of the Company are as follows:

- Establishing/managing of investment funds/portfolios.
- Arranging services.
- Custody services for the administrative arrangements and procedures related to the investment funds and portfolio management.
- Acting as principal.
- Providing consultancy on securities.

All investment products provided by the Company are in accordance with the Islamic Shari'a and certified by the Company's Shari'a consultant.

The financial statements have been approved by the Board of Directors on March 25, 2021.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Accounting convention / Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement of financial asset at fair value through profit or loss which are measured at fair value as explained in the relevant accounting policies and defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method as explained in the relevant accounting policies.

2.2 New standards and amendments applicable from January 1, 2020

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2020 but they do not have a material effect on the Company's Financial Statements.

2.3 Standards, interpretations and amendments issued but not yet effective

Following are the new amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.3 Standards, interpretations and amendments issued but not yet effective (continued)

Title	Key requirements	Effective Date	Impact
Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2021	The Company does not expect any material impact on its financial statements due to adoption of such amendments.
Amendments to IFRS 3, IAS 16, IAS 37	• IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. • IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. • IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.	January 1, 2021	The Company does not expect any material impact on its financial statements due to adoption of such amendments.
Annual Improvements to IFRSs 2018–2020 Cycle	• IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order toassess whether to derecognise a financial liability. • IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16. • IAS 41, 'Agriculture' – Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.	January 1, 2021	The Company does not expect any material impact on its financial statements due to adoption of such amendments.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.4 Revenue

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised, when (or as) the Company satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer control over the promised goods and services, either:

- at a point in time or
- over a time basis equivalent to the stage of completion of the service.

2 Summary of significant accounting policies (continued)

2.4 Revenue (continued)

Revenue from rendering of services

Revenue from services is recognized in the accounting period in which the services are rendered. Revenue is recognized when the performance obligation is satisfied i.e. upon receiving the completion certificate from the customer.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a product or services to a customer and when the specific criteria have been met for each of the Company's activities. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.5 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency of the entity.

(b) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

2.6 Zakat and taxes

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Company, is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

2 Summary of significant accounting policies (continued)

2.6 Zakat and income tax (continued)

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The Company withholds taxes on certain transactions with non-resident parties, including payments of dividends to foreign shareholders of the Saudi Arabian subsidiaries, if any, in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.7 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.8 Property and equipment

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
Cost includes purchase price and any costs 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.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the year in which they are incurred.

b) Subsequent costs

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

c) Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	Number of years
• Building	33
• Equipment	5
• Computers and software	3 – 6
• Furniture and fixtures	3 – 10
• Motor vehicles	4

2 Summary of significant accounting policies (continued)

2.8 Property and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively.

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the disposed assets, and are recognised net within other income in profit or loss.

Work-in-progress (WIP)

Assets in the course of construction or development are capitalised in the WIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of WIP comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

WIP is measured at cost less any recognised impairment. WIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

2.9 Financial instruments

a) Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

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

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

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

b) Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a Company of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

c) Initial measurement

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

d) Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit and loss and other comprehensive income.

FVTOCI: 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 FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of profit and loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the statement of profit and loss and other comprehensive income.and presented net within other income / (expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

e) De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

f) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

g) Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

h) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 24 details how the Company determines impairment methodology for financial assets.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.10 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (continued)

2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See Note 20 for a description of the Company's impairment policies.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.13 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.14 Trade payables

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

2.15 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.16 Employee benefit obligations

Short term employee benefits

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

2 Summary of significant accounting policies (continued)

2.16 Employee benefit obligations (continued)

Post-employment benefits

Defined benefit plans
The Company operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Company's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

2.17 Investment properties

Investment properties comprise of property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Assets under construction" until development is complete, at which time it is transferred to the respective category, and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 33 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within other income (expenses) - net in the statement of profit or loss.

2.18 Leases

The Company leases land, buildings and vehicles. Rental contracts are typically made for fixed periods but may have extension options. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

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 Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, if any;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option, if any.

2 Summary of significant accounting policies (continued)

2.18 Leases (continued)

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 (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial performance when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs

3 Critical accounting estimates and judgments

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

3 Critical accounting estimates and judgments (continued)

(a) Useful lives and residual values of property and equipment

The management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

(b) Employee benefits – defined benefit plan

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see Note 14.

(All amounts in Saudi Riyals unless otherwise stated)

4 Property and equipment

	Building	Equipment	Lease improvements	Computers and software	Furniture and fixtures	Motor vehicles	Building under construction	Total
At January 1, 2020								
Cost	3,841,775	59,117	55,892	2,262,072	232,669	197,700	892,727	**7,541,952**
Accumulated depreciation	(345,758)	(11,386)	(25,406)	(2,079,522)	(168,213)	(197,700)	**-**	**(2,827,985)**
Net book value	**3,496,017**	**47,731**	**30,486**	**182,550**	**64,456**	-	**892,727**	4,713,967
Year ended December 31, 2020								
Opening net book value	**3,496,017**	**47,731**	**30,486**	**182,550**	**64,456**	-	**892,727**	4,713,967
Additions	-	12,915	173,726	19,533	224,409	-	-	**430,583**
Transfers	-	-	892,727	-	-	-	(892,727)	-
Depreciation charge	(100,448)	(13,531)	(77,845)	(80,888)	(45,006)	-	-	**(317,718)**
Impairment	(791,606)	-	-	-	-	-	-	**(791,606)**
Closing net book value	**2,603,963**	**47,115**	**1,019,094**	**121,195**	**243,859**	-	-	**4,035,226**
At December 31, 2020								
Cost	3,841,775	72,032	1,122,345	2,281,605	457,078	197,700	-	**7,972,535**
Accumulated depreciation	(1,237,812)	(24,917)	(103,251)	(2,160,410)	(213,219)	(197,700)	-	**(3,937,309)**
Net book value	**2,603,963**	**47,115**	**1,019,094**	**121,195**	**243,859**	-	-	**4,035,226**

Certain property was pledged as security by the Company against financing from a related party. The property is unit 4 located in the complex Headquarters Business Park, the unit is reported under building as part of property and equipment (Note 15).

(All amounts in Saudi Riyals unless otherwise stated)

4 Property and equipment (continued)

	Building	Equipment	Lease improvements	Computers and software	Furniture and fixtures	Motor vehicles	Building under construction	Total
At January 1, 2019								
Cost	3,841,775	52,955	55,892	2,153,843	231,069	197,700	-	6,533,234
Accumulated depreciation	(230,506)	(11,386)	(8,045)	(1,989,974)	(137,709)	(197,700)	-	(2,575,320)
Net book value	**3,611,269**	**41,569**	**47,847**	**163,869**	**93,360**	**-**	**-**	**3,957,914**
Year ended December 31, 2019								
Opening net book value	3,611,269	41,569	47,847	163,869	93,360	-	-	3,957,914
Additions	-	6,162	-	108,229	1,600	-	892,727	1,008,718
Depreciation charge	(115,252)	-	(17,361)	(89,548)	(30,504)	-	-	(252,665)
Closing net book value	3,496,017	47,731	30,486	182,550	64,456	-	892,727	4,713,967
At December 31, 2019								
Cost	3,841,775	59,117	55,892	2,262,072	232,669	197,700	892,727	7,541,952
Accumulated depreciation	(345,758)	(11,386)	(25,406)	(2,079,522)	(168,213)	(197,700)	-	(2,827,985)
Net book value	3,496,017	47,731	30,486	182,550	64,456	-	892,727	4,713,967

(All amounts in Saudi Riyals unless otherwise stated)

5 Leases

The Company leases two buildings for office space. Rental contracts are typically made for fixed periods of 3 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2020, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. The Company's leases do not contain extension options exercisable by the Company before the end of the non-cancellable contract period. The Company does not provide residual value guarantees in relation to any of its leases.

	2020	2019
Right-of-use assets		
Cost		
Balance as at 1 January	**2,389,359**	-
Initial recognition of assets under IFRS 16	**-**	438,755
Additions	**-**	1,950,604
Balance as at 31 December	**2,389,359**	2,389,359
Depreciation		
Balance as at 1 January	**(405,494)**	-
Depreciation charge for the year	**(457,747)**	(405,494)
Balance as at 31 December	**(863,241)**	(405,494)
Net book value	**1,526,118**	1,983,865

Lease liabilities

Particulars	**2020**	2019
Balance as at 1 January	**2,120,247**	-
Initial recognition of liabilities under IFRS 16	**-**	429,196
Additions	**-**	1,950,604
Interest charge for the year	**99,189**	105,147
Payments during the year	**(448,600)**	(364,700)
Balance as at 31 December	**1,770,836**	2,120,247
Current portion	**337,241**	417,556
Non-Current portion	**1,433,595**	1,702,691

(All amounts in Saudi Riyals unless otherwise stated)

6 Investment properties

	Buildings and residential houses	Total
At 1 January 2019		
Cost	7,520,998	**7,520,998**
Accumulated depreciation	(240,632)	**(240,632)**
Net book value	7,280,366	**7,280,366**
Year ended 31 December 2019		
Opening net book value	7,280,366	**7,280,366**
Impairment loss	(350,695)	**(350,695)**
Depreciation charge	(178,258)	**(178,258)**
Closing net book value	6,751,413	**6,751,413**
At 31 December 2019		
Cost	7,520,998	**7,520,998**
Accumulated depreciation	(769,585)	**(769,585)**
Net book value	6,751,413	**6,751,413**
Year ended 31 December 2020		
Opening net book value	6,751,413	**6,751,413**
Additions	-	**-**
Depreciation charge	(172,682)	**(172,682)**
Closing net book value	6,578,731	**6,578,731**
At 31 December 2020		
Cost	7,520,998	**7,520,998**
Accumulated depreciation	(942,267)	**(942,267)**
Net book value	6,578,731	**6,578,731**

Direct operating expenses in respect of investment properties generating rental income for the year amounts to Saudi Riyals 0.49 million (2019: Saudi Riyals 0.13 million).

Assets related to investment properties were pledged as security by the Company against financing from a related party. These assets are units 6 and unit 8 located in the complex Headquarters Business Park (Note 17).

As at 31 December 2020 the fair value of investment properties were estimated value to be Saudi Riyals 6,578,731 (2019: Saudi Riyals 6,751,413). The measurement of the fair value was carried forward by the following real estate valuers:

<u>**Valuer name**</u>	<u>**Accreditation**</u>
Sima Real Estate Valuation	Member of TAQEEM
Remax Partners	Member of TAQEEM
Qiam Real Estate Appraisal	Member of TAQEEM
Menassat Realty Appraisal	Member of TAQEEM

(All amounts in Saudi Riyals unless otherwise stated)

7 Financial assets

The Company classifies the following financial assets at fair value through profit or loss:

(i) debt investments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income
(ii) equity investments that are held for trading, and
(iii) equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

	Note	**31 December 2020**	**31 December 2019**
Financial assets at fair value through profit or loss, non-current	7.1	**39,935,608**	42,854,804
Financial assets at fair value through profit or loss, current	7.1	**12,405,171**	11,021,955
		52,340,779	53,876,759

Movement in financial assets was as follows:

2020	**Financial assets at FVPL, non-current**	**Financial assets at FVPL, current**	**Total**
Balance as at 1 January	**42,854,804**	**11,021,955**	**53,876,759**
Addition	**-**	**11,970,000**	**11,970,000**
Disposal	**(4,031,320)**	**(10,867,501)**	**(14,898,821)**
Realized gain on disposal	**-**	**133,553**	**133,553**
Change in fair value through profit or loss	**1,112,124**	**147,164**	**1,259,288**
Balance as at 31 December	**39,935,608**	**12,405,171**	**52,340,779**

2019	**Financial assets at FVPL, non-current**	**Financial assets at FVPL, current**	**Total**
Balance as at 1 January	51,293,923	6,899,965	58,193,888
Addition	-	16,412,569	16,412,569
Disposal	-	(12,464,363)	(12,464,363)
Realized gain on disposal	-	76,141	76,141
Change in fair value through profit or loss	(8,439,119)	97,643	(8,341,476)
Balance as at 31 December	42,854,804	11,021,955	53,876,759

(All amounts in Saudi Riyals unless otherwise stated)

7 Financial assets (continued)

7.1 Financial assets at fair value through profit or loss (FVPL)

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

	2020	2019
Non-current assets		
Investment in real estate funds	**39,905,608**	42,824,804
Other investments	**30,000**	30,000
	39,935,608	42,854,804
Current assets		
Investments in money market funds	**12,405,171**	11,021,955
	52,340,779	53,876,759

Certain financial assets at fair value through profit or loss were pledged as security by the Company against murabaha financing from a related party (Note 17). The pledged financial assets are units in Real Estate Income Fund – III, which are part of the investment in real estate funds reported above.

Amounts recognised in profit or loss
During the year, the following gains / (losses) were recognised in profit or loss.

	2020	2019
Changes in fair value of FVPL financial assets	**1,259,287**	(8,341,476)
Net realized gain from sale of FVPL financial assets	**133,553**	76,141
	1,392,840	(8,265,335)

8 Prepayments and other assets

	Note	2020	2019
Amounts due from related parties	17	**1,578,197**	8,915,008
Accrued income		**817,600**	826,779
Debtors		**990,723**	1,092,120
Prepaid expenses		**403,920**	415,788
Employees receivables		**92,880**	262,731
Other assets		**304,320**	272,034
		4,187,640	11,784,460

9 Cash and cash equivalents

	2020	2019
Cash at banks	**5,635,487**	1,598,164

(All amounts in Saudi Riyals unless otherwise stated)

10 Share capital

On 16 June 2020 (corresponding to 24 Shawwal 1441H), the shareholders of the Company resolved in the Extraordinary General Assembly meeting to decrease the Company's capital from SR 111,229,140 to SR 56,042,030 to absorb the Company's accumulated losses. This has not resulted in a change of the percentage of ownership of the shareholders after obtaining CMA's approval. Further, during the year 2020, Shiekh Saleh Abdullah Saleh Abdullah Kamel "shareholder" passed away, and his shareholdings were transferred to Dallah Albaraka investment Holding Company.

The issued paid in capital for the year ended 31 December 2020 and 2019 as follows:

Shareholder name	Nationality	Ownership percentage %	2020	Ownership percentage %	2019
Al Baraka Banking Group B.S.C.	Kingdom of Bahrain	**57.6642**	**32,316,180**	57.6642	64,139,370
Al Baraka Islamic Bank—Bahrain	Kingdom of Bahrain	**25.4015**	**14,235,510**	25.4015	28,253,860
Aseer For Trading, Tourism, Industrial, Agricultural, Real Estate & Contracting Company	Kingdom of Saudi Arabia	**8.4672**	**4,745,170**	8.4672	9,417,950
Dallah Albaraka investment Holding Company	Kingdom of Saudi Arabia	**7.6205**	**4,270,650**	-	-
Shiekh Saleh Abdullah Kamel	Kingdom of Saudi Arabia	**-**	**-**	7.6205	8,476,160
Dallah Albaraka Holding Co. (Saudi Arabia)	Kingdom of Saudi Arabia	**0.4234**	**237,260**	0.4234	470,900
Mr. Abdullah Mohammed Abdo Yamani	Kingdom of Saudi Arabia	**0.4234**	**237,260**	0.4234	470,900
			56,042,030		111,229,140

11 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to at least 30% of its share capital. As the Company has incurred a loss for the year, no transfer was made to the statutory reserve. The reserve currently is not available for distribution to the shareholders of the Company.

12 Employee benefit obligations

12.1 General description of the plan

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

	2020	2019
1 January	**1,366,327**	743,549
Current service cost	**184,388**	358,973
Interest cost	**27,878**	28,607
Actuarial losses	**110,492**	235,198
Benefit paid	**(470,776)**	-
31 December	**1,218,309**	1,366,327

(All amounts in Saudi Riyals unless otherwise stated)

12 Employee benefit obligations (continued)

12.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2020	2019
Current service cost	**184,388**	358,973
Interest expense	**27,878**	28,607
Total amount recognised in profit or loss	**212,266**	387,580
Remeasurements		
Loss from change in financial assumptions	**(18,148)**	79,412
Loss from change in experience adjustments	**128,640**	155,786
Total amount recognised in other comprehensive income	**110,492**	235,198

12.3 Key actuarial assumptions

	2020	2019
Discount rate	**1.50%**	2.46%
Salary growth rate	**2.50%**	2.85%

12. 4 Sensitivity analysis for actuarial assumptions

	2020		2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(46,772)**	**50,106**	(58,169)	64,074
Future salary growth (1% movement)	**49,533**	**(47,174)**	63,461	(58,850)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

13 Trade and other payables

	2020	2019
Accrued vacation	**584,126**	565,714
Claims and other payables	**7,252,462**	2,287,442
	7,836,588	2,853,156

(All amounts in Saudi Riyals unless otherwise stated)

14 Income tax and zakat matters

14.1 Zakat base

The significant components of the Company's zakat base for the years ended December 31 are comprised of the following:

	2020	2019
Capital	**111,229,140**	111,229,140
Provisions	**2,388,298**	2,471,494
Lease liabilities	**1,770,836**	2,120,247
Loss on remeasurements of employee benefits obligation	**-**	(235,198)
Property and equipment	**(4,035,226)**	(4,692,088)
Right of use assets	**(1,526,118)**	(1,983,865)
Investments, amended	**(45,255,051)**	(58,298,388)
Accumulated losses	**(52,397,168)**	(34,002,745)
Adjusted net loss for the year	**(12,485,657)**	(7,101,824)
Approximate zakat base	**12,174,711**	9,506,773
Amended zakat net loss	**(10,526,121)**	(7,381,295)
Zakat base	**93,675**	7,036,770
Zakat	**2,342**	183,382
Adjustments for zakat for prior years	**-**	178,479
Zakat expense for the year	**2,342**	361,861

14.2 Income Tax

Tax was not charged to the foreign shareholders for the year ended 31 December 2020 and 31 December 2019, since the Company has incurred net loss for this year.

14.3 Tax and zakat liability

	Income tax	Zakat	Total
1 January 2020	-	**183,549**	**183,549**
Provision for the year	-	-	-
Adjustments for prior years	-	-	-
Payment for the year	-	**(175,919)**	**(175,919)**
31 December 2020	-	**7,630**	**7,630**
1 January 2019	-	400,929	400,929
Provision for the year	-	183,382	183,382
Adjustments for prior years	-	178,479	178,479
Payment for the year	-	(579,241)	(579,241)
31 December 2019	-	183,549	183,549

14.4 Status of certificates and final assessments

The Company filed its Zakat return for the period ended December 31, 2008. GAZT issued the Zakat assessment for the period ended December 31, 2008 and claimed additional Zakat differences of Saudi Riyals 1,855,916. The Company objected against the said assessment which was transferred to the Preliminary Objection Committee (POC) for review and decision. The POC issued its decision which resulted in reduction of the payable Zakat amounted Saudi Riyals 1,820,168. The Company filed an appeal against the POC's decision with the Higher Appeal Committee (HAC). The HAC issued its decision which rejected the Company's appeal. The Company filed an appeal against the said decision with the Board of Grievance (BOG). The BOG issued its decision which supported the HAC's decision. The Company accepted the BOG decision and the case is considered closed.

(All amounts in Saudi Riyals unless otherwise stated)

14 Income tax and zakat matters (continued)

14.4 Status of certificates and final assessments (continued)

The Company filed its zakat and tax returns for the years ended December 31, 2009 to 2014 and obtained the restricted zakat and tax certificates for the said years. GAZT issued the zakat and tax assessment for the said years and claimed zakat, tax, delay fine and non-filing penalty of Saudi Riyals 7,346,052. The Company objected against GAZT's assessment. GAZT issued an amended assessment for the said years, which showed a reduction in the zakat, tax and non-filing penalty of Saudi Riyals 4,942,450 for the said years. The Company objected against the said zakat and tax assessment, which is still under review by GAZT as at the date of the financial statements.

The Company filed its zakat and tax returns for the years ended December 31, 2015 and 2016 and obtained the restricted zakat and tax certificate for the said years. The Company has finalized its zakat and tax status for the said years.

The Company filed its zakat and tax returns for the year ended December 31, 2017 and 2018 obtained the restricted zakat and tax certificate for the said years. GAZT did not issue the final assessment for the said years as at the date of the financial statements.

15 Related party transactions and balances

Related parties comprise the shareholders, directors, associate company, key management personnel and the Funds managed by the Company. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Following are the significant transactions entered into by the Company:

Related party	**Nature of transaction**	**Amount of transaction**	
		2020	2019
Investment funds	Various	**1,900,536**	196,863
Real Estate Income Fund – I, Real Estate Income Fund – II and Real Estate Income Fund - III	Services	**2,191,828**	3,532,977
Real Estate Income Fund – I and Real Estate Income Fund - III	Dividends	**1,501,782**	782,335
Itqan Murabahat & Sukuk Fund and Saudi Equity fund	Investments	**11,970,000**	16,412,569
Itqan Murabahat & Sukuk Fund	Sale of investments	**10,733,947**	12,464,363
Board of Directors expenses	Expenses and compensation	**156,246**	225,556
Al Baraka Islamic Bank—Bahrain	Murabaha financing	**-**	15,000,000

(b) Key management personnel compensation:

	2020	2019
Salaries and other short-term employee benefits	**5,110,307**	3,405,980
Post-employment benefits	**284,438**	149,983
	5,394,745	3,555,963

(All amounts in Saudi Riyals unless otherwise stated)

15 Related party transactions and balances (continued)

(c) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	2020	2019
Real Estate Income Fund - I	**69,636**	2,090,940
Real Estate Income Fund - II	**71,325**	5,858,178
Real Estate Income Fund - III	**445,178**	895,482
Itqan Murabahat and Sukuk Fund	**124,818**	24,330
Itqan Real Estate Assets Fund	**293,947**	-
Itqan Residential Fund	**427,755**	-
Others	**145,538**	46,078
	1,578,197	8,915,008

(d) Financing from a related party

	2020	2019
Short-term murabaha financing	**16,220,150**	15,353,377

During the year ended 31 December 2019, the Company obtained murabaha financing of Saudi Riyals 15 million from Al Baraka Islamic Bank—Bahrain. The financing is repayable in full within 12 months with an murabaha rate of 8% per annum. As of December 31, 2020, the Company has recorded accrued interest of Saudi Riyals 1.2 million (2019: Saudi Riyals 0.35 million). The Company has pledged certain assets as security for the financing from the related party. The carrying amounts of the assets pledged is as follows:

	Note	2020	2019
Non-current			
Property and equipment	4	**2,603,963**	3,496,017
Investment properties	6	**4,371,653**	4,511,174
Financial assets at fair value through profit or loss	7	**12,027,186**	11,041,130

16 Revenue

The following are the details of the income from services during the year ended December 31, 2020 and 2019:

	Asset management	Investment banking	Custodial services	2020
Timing of revenue recognition				
Over time	**4,280,000**	**1,086,174**	**723,137**	**6,089,311**

	Asset management	Investment banking	Custodial services	2019
Timing of revenue recognition				
Over time	4,511,592	140,476	564,424	5,216,492

(All amounts in Saudi Riyals unless otherwise stated)

17 Other operating expenses

		2020	2019
Consultancy and professional fees		**1,865,244**	2,153,077
Subscription fees		**814,920**	751,045
Travel		**168,202**	400,657
Maintenance		**200,731**	173,691
Board of directors related expenses	15	**156,246**	225,556
Publicity, advertising and public relations		**4,853**	24,110
Other		**2,862,156**	1,340,436
		6,072,352	5,068,572

18 Finance costs

	Note	2020	2019
Borrowing cost	15	**1,243,614**	353,377
Interest on lease liabilities	7	**99,189**	105,147
		1,342,803	458,524

19 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company holds various financial instruments in the ordinary course of its activities.

Categories of financial instruments

(a) Financial assets subsequently measured at amortised cost:

	Note	2020	2019
Other current assets		**3,783,720**	11,368,672
Cash and cash equivalents	9	**5,635,487**	1,598,164
		9,419,207	12,966,836

(b) Financial assets at fair value through profit or loss:

	Note	December 31, 2020	December 31, 2019
Investment in real estate funds	7.1	**12,405,171**	11,021,955
Investments in money market funds	7.1	**39,905,608**	42,824,804
Other investments	7.1	**30,000**	30,000
		52,340,779	53,876,759

(c) Financial liabilities at amortised cost

	Note	2020	2019
Other current payables	13	**7,252,462**	2,287,442
Short-term borrowings		**16,220,150**	15,353,377
		23,472,612	17,640,819

The carrying amount of financial assets approximates their fair value. Financial assets are not considered to pose a significant credit risk.

(All amounts in Saudi Riyals unless otherwise stated)

20 Fair value of financial instruments

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included 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 fair value of investments in money market fund based on quoted market prices at the end of the reporting period, accordingly these instruments are included in level 1. The fair value of investment in real estate funds is based on the net assets value (NAV) communicated by the fund manager, accordingly these instruments are included in level 3.

The table below presents the financial assets at their fair values as at 31 December 2020 and 2019 based on the fair value hierarchy:

31 December 2020	**Level 1**	**Level 3**	**Total**
Financial assets at fair value through other profit or loss:			
Investment in money market funds	12,405,171	-	12,405,171
Investments in real estate funds	-	39,905,608	39,905,608
Other investments	-	30,000	30,000
	12,405,171	**39,935,608**	**52,340,779**

31 December 2019	**Level 1**	**Level 3**	**Total**
Financial assets at fair value through other profit or loss:			
Investments in money market funds	11,021,955	-	11,021,955
Investment in real estate funds	-	42,824,804	42,824,804
Other investments	-	30,000	30,000
	11,021,955	**42,854,804**	**53,876,759**

As at 31 December 2020 and 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2020 and 2019, there were no transfers into or out of Level 3 fair value measurements and no movements between the levels 1 and 3.

Valuation input and relationship to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurements of the investments in real estate funds and other investments. The fair values are determined based on multiple approaches that include the income approach, cost approach and market approach.

20 Fair value of financial instruments (continued)

Description	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Un-observable inputs
Investments in real estate funds and other investments	**39,935,608**	42,854,804	Costs and margins (cost approach)
			Income, occupancy rate and capitalization rate (income approach)
			Adjusted market price per square meter (market approach)

21 Financial risk management

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The management has overall responsibility for the establishment and oversight of the Company's risk management framework. The management is responsible for developing and monitoring the Company's risk management policies.

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

The Company's board of directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by: Foreign exchange risk, Fair value and cash flow interest rate risk, and Price risk

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms. Borrowings issued

21 Financial risk management (continued)

at variable rates expose the Company to cash flow interest rate risk. During 2020, the Company's borrowings were denominated in Saudi Riyals.

The short-term loan carry fixed rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 December 2020, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense Saudi Riyals 0.13 (2019: Saudi Riyals 0.15 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either at fair value through other comprehensive income (FVOCI) (Note 9) or at fair value through profit or loss (FVPL) (Note 9).

To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The Company's equity and debt investments are publicly traded.

Sensitivity

The table below summarises the impact of increases/decreases of these investments on the Company's profit or loss, and other comprehensive income for the year. The analysis is based on the assumption that the instruments had increased or decreased by 10% with all other variables held constant, and that all the Company's equity and debt instruments moved in line with assumed change.

	Impact on P&L		**Impact on OCI**	
	2020	**2019**	**2020**	**2019**
Investments in money market funds (10% movement)	**1,240,517**	1,102,196	-	-

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions.

The Company manages the credit risk for each category. For banks and financial institutions, only independently rated parties with high ratings are accepted.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Company has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	Note	**2020**	**2019**
Other receivables		**3,783,720**	11,368,672
Cash and cash equivalents	9	**5,635,487**	1,598,164
		9,419,207	12,966,836

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

Cash at banks and margins are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all periods presented.

The due from related parties balances are from the funds managed by the Company and the funds have sufficient assets to pay the Company. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented as they are considered to have low credit risk.

(c) Liquidity risk

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

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

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

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

(c) Liquidity risk (continued)

	Less than one year	**1 to 2 Years**	**2 to 5 years**	**Total**
2020				
Lease liabilities	**448,600**	**710,000**	**710,000**	**1,868,600**
Other current payables	**7,252,462**	**-**	**-**	**7,252,462**
Short-term borrowings	**16,220,150**	**-**	**-**	**16,220,150**

	Less than one year	**1 to 2 Years**	**2 to 5 years**	**Total**
2019				
Lease liabilities	448,600	803,600	1,065,000	2,317,200
Other current payables	2,287,442	-	-	2,287,442
Short-term borrowings	15,353,377	-	-	15,353,377

Please see Note 7 for the contractual maturity analysis of lease liabilities.

(All amounts in Saudi Riyals unless otherwise stated)

22 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings, as shown in the statement of financial position, less cash and cash equivalent. Total equity is as shown in the statement of financial position.

	2020	2019
Short-term borrowings	**16,220,150**	15,353,377
Total debt	**16,220,150**	15,353,377
Cash and cash equivalents	**5,635,487**	1,598,164
Net debt	**10,584,663**	13,755,213
Share capital	**56,042,030**	111,229,140
Accumulated losses	**(8,791,562)**	(52,397,168)
Equity	**47,250,468**	58,831,972
Capital gearing ratio - %	**22%**	23%

23 Cash flow information

(a) Net debt

	2020	**2019**
Cash and cash equivalents	**5,635,487**	**1,598,164**
Borrowings	**(16,220,150)**	**(15,353,377)**
Lease liabilities	**(1,770,836)**	**(2,120,247)**
Net debt	**(12,355,499)**	**(15,875,460)**

(b) Net debt reconciliation

	Cash and cash equivalents	**Borrowings**	**Leases**	**Total**
1 January 2019	1,569,138	-	-	1,569,138
Recognized on adoption of IFRS 16	-		429,196	429,196
Cashflows	29,026		(364,700)	(335,674)
Additions	-	15,000,000	1,950,604	16,950,604
Interests	-	353,377	105,147	458,524
31 December 2019	**1,598,164**	**15,353,377**	**2,120,247**	**19,071,788**
Cashflows	**4,037,323**	**-**	**(448,600)**	**3,588,723**
Interests	**-**	**866,773**	**99,189**	**965,962**
31 December 2020	5,635,487	16,220,150	1,770,836	23,626,473

(All amounts in Saudi Riyals unless otherwise stated)

24 Regulatory capital requirement and capital adequacy ratio

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

	2020	**2019**	**Change percentage %**
Capital base			
Tier I capital	**47,250,468**	58,831,972	(20%)
Total	**47,250,468**	58,831,972	(20%)
Minimum capital requirement			
Credit risk	**40,626,826**	40,843,646	(1%)
Market risk	**185,268**	1,763,513	(89%)
Operation risk	**5,237,180**	4,051,058	29%
Total	**46,049,274**	46,658,217	(1%)
Capital adequacy ratio	**1.03**	1.26	(18%)
Surplus	**1,201,194**	12,173,755	(90%)

Capital base comprise of:

Tier-I capital

Comprise of paid up capital, accumulated losses, share premium and reserves.

Tier-II capital:

Comprise of perpetual subordinated loan and fixed term subordinated loans with not less than 5 years of original maturity. The minimum capital requirement related to credit risk, market risk and operation risk is calculated based on specific conditions stated in pillar III of the regulations issued by the CMA. The Company's goal of capital management is to comply with the capital requirements approved by the CMA, maintaining the Company's ability to continue its operations on a going concern basis and maintain a sound capital base.

The Company's management monitors the capital adequacy and its deployment of capital on a periodical basis. As per the regulations of the CMA, the Company shall maintain a minimum limit of

regulatory capital. Whereas the ratio of the total regulatory capital over risk weighted asset is at or above the minimum required ratio. The Company monitors the capital adequacy by using the ratios specified by the CMA. Based on such ratios, the Company measures the extent of its capital adequacy for the assets and commitments appearing in its financial statements using weighted balances to reveal its relative risk.

(All amounts in Saudi Riyals unless otherwise stated)

25 Loss per share

The Company presents loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	31 December 2020	**31 December 2019**
Loss per share for losses from operations		
Loss for the year	**(11,471,012)**	(18,159,225)
Weighted average number of shares	**10,172,972**	11,122,914
Loss per share	**(1.13)**	(1.63)
Loss per share for losses from total comprehensive income		
Total comprehensive income for the year	**(11,581,504)**	(18,291,156)
Weighted average number of shares	**10,172,972**	11,122,914
Loss per share	**(1.14)**	(1.64)

26 Contingencies and commitments

At 31 December 2020, the Company was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 1.8 million (2019: Saudi Riyals 1.8 million).