SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

INDEX

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

Adverse Opinion

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

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinion" section of our report, the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Adverse Opinion

As disclosed in notes 8, 12 and 14, the Company has placed term deposits and demand deposits with the Parent Bank in Lebanon, which are denominated in US Dollars, having a carrying value of SR 7.5 million and SR 41.8 million, respectively. There is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy which has been triggered by the following events:

- Default credit risk rating by all major rating agencies;
- The inability to transfer foreign currency funds outside Lebanon; and
- The Lebanese Government discontinued payments on all of its US Dollar denominated Eurobonds.

We further refer to section on credit risk in note 23 to the accompanying financial statements which states that the management has conducted expected credit loss impairment review on cash and cash equivalent and long term deposits in line with IFRS 9, however, the management has not considered the deteriorated condition of Lebanon where the placement has been made, consequently, the management has not recognized appropriate level of impairment losses under expected credit loss model in relation to these financial assets. Moreover, the Company has recognized deferred tax assets of SR 15.6 million recoverability of which is uncertain at this stage. Had updated expected credit losses assessment and deferred tax assets assessment would have been made considering the above factor, certain balances, elements and related disclosure in the accompanying financial statements would have been materially affected.

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

Basis for Adverse Opinion (continued)

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

Other Matter

The financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 1 Sha'aban 1441H (corresponding to 25 March 2020).

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. (354)

Riyadh: 1 Muharram 1443H
(9 August 2021)

شركة ارنست ويونغ وشركاهم (محاسبون قانونيون)
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENSE No. 45
ERNST & YOUNG & Co. (CERTIFIED PUBLIC ACCOUNTANTS)

STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2020

	Notes	*31 December 2020 SR*	*31 December 2019 SR (Restated, note 26)*	*1 January 2019 SR (Restated, note 26)*
Assets				
Non-current assets				
Investments held at fair value through profit or loss (FVTPL)	6	**-**	19,513,152	24,135,593
Investments held at amortised cost	7	**-**	14,053,591	26,504,106
Long term deposit	8	**7,542,984**	16,037,674	18,822,513
Property and equipment	9	**224,139**	348,009	477,562
Intangible assets	10	**144,405**	207,354	270,835
Deferred tax assets	18	**15,583,352**	4,499,388	758,433
Right-of-use asset	11	**1,632,357**	2,176,438	2,720,548
Total non-current assets		**25,127,237**	56,835,606	73,689,590
Current assets				
Cash and cash equivalents	12	**42,188,194**	92,217,400	95,647,135
Investments held at amortized cost	7	**-**	3,881,250	-
Accrued income, prepayments and other receivables	13	**706,177**	1,529,070	1,079,080
Total current assets		**42,894,371**	97,627,720	96,726,215
Total assets		**68,021,608**	154,463,326	170,415,805
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	19	**100,000,000**	100,000,000	100,000,000
Statutory reserve		**7,615,017**	7,615,017	7,615,017
(Accumulated losses) retained earnings		**(45,432,112)**	40,322,742	56,462,185
Total shareholders' equity		**62,182,905**	147,937,759	164,077,202
Non-current liabilities				
Employees defined benefit obligations	15	**2,758,284**	2,206,101	1,591,000
Lease liability - non-current portion	11	**1,141,421**	1,687,488	2,212,704
Total non-current liabilities		**3,899,705**	3,893,589	3,803,704
Current liabilities				
Accrued expenses and other payables	16	**1,369,367**	1,458,695	1,386,378
Provision for income tax	17	**23,564**	648,067	640,677
Lease liability - current portion	11	**546,067**	525,216	507,844
Total current liabilities		**1,938,998**	2,631,978	2,534,899
Total liabilities		**5,838,703**	6,525,567	6,338,603
Total shareholders' equity and liabilities		**68,021,608**	154,463,326	170,415,805

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME

For the year ended 31 December 2020

	Notes	*31 December 2020 SR*	*31 December 2019 SR (Restated, note 26)*
OPERATING INCOME			
Special commission income	20	**7,106,088**	8,469,269
Asset management fees	14	**403,103**	3,275,835
Placement fees		**187,500**	187,500
Corporate advisory income		**-**	112,500
TOTAL OPERATING INCOME		**7,696,691**	12,045,104
OPERATING EXPENSES			
Loss on derecognition of investments held at amortised cost	7	**(21,836,032)**	-
Loss on investments held at FVTPL	6	**(19,513,152)**	(4,123,103)
Employees' salaries and related expenses		**(5,272,132)**	(5,657,667)
General and administration expenses	21	**(2,604,975)**	(3,273,256)
Charge for expected credit losses, net	7, 8, 12	**(55,016,372)**	(17,963,647)
TOTAL OPERATING EXPENSES		**(104,242,663)**	(31,017,673)
LOSS FROM MAIN OPERATIONS		**(96,545,972)**	(18,972,569)
Finance charge on lease liability	11	**(55,234)**	(72,606)
Other income, net		**5,427**	28,344
LOSS BEFORE TAX		**(96,595,779)**	(19,016,831)
Current income tax	17	**(23,564)**	(532,432)
Deferred tax	18	**11,040,069**	3,674,728
LOSS FOR THE YEAR		**(85,579,274)**	(15,874,535)
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement of employees' defined benefit liabilities, net of deferred tax	15, 18	**(175,580)**	(264,908)
OTHER COMPREHENSIVE LOSS		**(175,580)**	(264,908)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(85,754,854)**	(16,139,443)

The accompanying notes 1 to 30 form an integral part of these financial statements.

SAUDIMED INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2020

	Share capital SR	*Statutory reserve SR*	*(Accumulated losses) Retained earnings SR (Restated, note 26)*	*Investment revaluation reserve SR (Restated, note 26)*	*Total SR*
Balance at 1 January 2019, as previously stated	100,000,000	7,615,017	54,826,592	1,635,593	164,077,202
Prior period adjustments (note 26)	-	-	1,635,593	(1,635,593)	-
Balance at 1 January 2019, restated (note 26)	100,000,000	7,615,017	56,462,185	-	164,077,202
Loss for the year, restated (note 26)	-	-	(15,874,535)	-	(15,874,535)
Other comprehensive loss, restated (note 26)	-	-	(264,908)	-	(264,908)
Total comprehensive loss for the year, restated	-	-	(16,139,443)	-	(16,139,443)
Balance at 31 December 2019, restated	100,000,000	7,615,017	40,322,742	-	147,937,759
Loss for the year	-	-	(85,579,274)	-	**(85,579,274)**
Other comprehensive loss for the year	-	-	(175,580)	-	**(175,580)**
Total comprehensive loss for the year	-	-	(85,754,854)	-	**(85,754,854)**
Balance at 31 December 2020	**100,000,000**	**7,615,017**	**(45,432,112)**	-	**62,182,905**

The accompanying notes 1 to 30 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	*31 December 2020 SR*	*31 December 2019 (Restated, note 26) SR*
OPERATING ACTIVITIES			
Loss before income tax		**(96,595,779)**	(19,016,831)
Adjustments for:			
Loss on disposal of investments held at amortised cost	7	**21,836,032**	-
Loss on disposal of investments held at FVTPL	6	**19,513,152**	-
Amortisation of right-of-use assets	11	**544,081**	544,110
Employees defined benefit obligations	15	**351,784**	321,106
Depreciation of property and equipment	9	**123,870**	129,553
Financial charge on lease liability	11	**55,234**	72,606
Amortization of intangible assets	10	**62,949**	63,481
Charge for expected credit losses	7, 8, 12	**55,016,372**	17,963,647
Unrealised loss on investments held at FVTPL	6	**-**	4,123,103
Operating cash flows before working capital changes		**907,695**	4,200,775
Working capital changes:			
Decrease (increase) in accrued income, prepayments and other receivables		**822,893**	(449,990)
(Increase) decrease in accrued expenses and other payables		**(89,328)**	72,317
Cash generated from operations		**1,641,260**	3,823,102
Income tax paid	17	**(648,067)**	(525,042)
Employees defined benefits paid	15	**(19,076)**	(37,140)
Net cash from operating activities		**974,117**	3,260,920
INVESTING ACTIVITIES			
Proceeds from partial redemption of investments held at amortised cost	7	**5,538,968**	-
Proceeds from partial redemption of investments held at FVTPL	6	**-**	499,338
Cash from investing activities		**5,538,968**	499,338
FINANCING ACTIVITY			
Payment of lease liability		**(580,450)**	(580,450)
Cash used in financing activity		**(580,450)**	(580,450)
Net increase (decrease) in cash and cash equivalents		**5,932,635**	3,179,808
Cash and cash equivalents at the beginning of the year	12	**92,217,400**	95,647,135
Expected credit loss impact on cash and cash equivalents	12	**(55,961,841)**	(6,609,543)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**42,188,194**	92,217,400
Supplemental non-cash information:			
Remeasurement of employees' defined benefit liabilities	14	**(219,475)**	(331,135)
Right-of-use asset and lease liability	11	**-**	2,720,548

The accompanying notes 1 to 30 form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITIES

SaudiMed Investment Company (the "Company") is a Saudi Closed Joint Stock Company registered with the Capital Market Authority ("CMA") under license number 37-07065 dated 2 Jumada Thani 1428H (corresponding to 17 June 2007). The Company operates in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010243382 on 19 Muharram 1429H (corresponding to 28 January 2008).

The Company is licensed to deal as principal and as an agent, underwriting, managing investment funds and arranging, providing advisory and custody services relating to financial papers.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Judgments and estimates

The preparation of the financial statements in conformity with the IFRSs as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies as discussed in note 5.

2.3 Basis of measurement, presentation and functional currency

The financial statements have been prepared under the historical cost convention, using the accrual basis of accounting except for certain financial instruments that are measured at fair values and employees' defined benefit liabilities which have been actuarially valued using the expected unit credit method. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company.

2.4 New and amended standards and interpretations

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

2. BASIS OF PREPARATION (continued)

Amendments to IFRS 16 COVID-19 Related Rent Concessions
On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the financial statements of the Company.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing these financial statements.

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

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

The Company classifies all other assets as non-current.

A liability is classified as current when:

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

The Company classifies all other liabilities as non-current.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

Financial assets consist of term deposits, FVTPL investment, cash and cash equivalent, account and other receivables. Financial liabilities consist of accounts payable and other current liabilities.

Fair values of these financial instruments have been assessed as being approximate to the carrying amounts due to frequent re-pricing or their short-term nature.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, demand deposits and time deposits held with banks, all of which are available for use by the Company unless otherwise stated and have original maturities of three months or less from acquisition date, which are subject to an insignificant risk of changes in value.

Term deposits

Term deposits are time deposits with original maturities for over three months. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition
The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Asset management fees
Asset management fees are recognised on an accrual basis as services are provided. Such services are recognized over a period of time.

Special commission income
Special commission income is recognised on an effective yield basis taking into account the principal outstanding and the applicable special commission rate.

Corporate advisory income and placement fees
Corporate advisory income and placement fees are recognised when services are performed in accordance with the contract terms.

Other income
Other income is recognised when earned.

Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Despite the above, the Company may make the following irrevocable election / designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in profit or loss.

Equity instruments designated at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term.
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Equity instruments designated at FVTOCI (continued)
Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has designated its investment in funds as held at FVTPL (note 6).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Impairment of financial assets
The Company recognizes a loss allowance for Expected Credit Loss ("ECL") for its financial assets comprising of investments held at amortized cost and cash and cash equivalents and long term deposit. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. No impairment loss in recognized for investments in equity instruments.

The Company recognized lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due for financial assets unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due for private sector customers and five years past due for government sector customers, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss.

Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortized cost

The Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as incurred.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as shown in note 9, effective from the date when it was available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognised on a prospective basis.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Company applies an annual rate of amortization over 8 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Income tax
The Company is subject to the Regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Income tax are provided on an accruals basis and is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities. 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.

Deferred tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in the interim statement of changes in equity.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Accounts and other payables

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

Employee benefits

Employees' defined benefit liabilities

Employees' defined benefit liabilities are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements.

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Statutory reserve
In accordance with Saudi Arabian Companies' Law and the Company's By-Laws, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. The Company has not recorded any transfer for the year due to the losses incurred.

Expenses
Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Fiduciary assets
Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of profit or loss and other comprehensive income.

Assets under management
The Company offers asset management services to a real estate development fund. The assets of such fund are not treated as assets of the Company and accordingly are not included in these financial statements.

Clients' cash accounts and assets
Clients' cash accounts and assets are not treated as assets of the Company and accordingly are not included in these financial statements.

Leases

The Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short- term leases and leases of low-value assets. The Company recognises lease liability to make lease payments and right-of-use asset representing the right to use the underlying assets.

i) Right-of-use asset
The Company recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use asset is also subject to impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii) Lease liability
At the commencement date of the lease, the Company recognises lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments to the classification of liabilities as current or non-current is not expected to have a significant impact on the Company's financial statements in the period of initial application.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments
In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

Employees' defined benefit liabilities
The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameter is discount rate. In determining the appropriate discount rate, management considers the market yield on government issued bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to 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 Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Provision for expected credit losses of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Further explanation is provided in note 4 - impairment of financial assets.

Going concern

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

6. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Investments in:			
Med Income Fund	-	10,244,457	14,965,669
Middle East Venture Fund	-	9,268,695	9,169,924
	-	19,513,152	24,135,593

	31 December 2020 SR	*31 December 2019 SR*
Cost:		
At the beginning of the year	**22,000,662**	22,500,000
Redemption during the year	-	(499,338)
Disposed during the year	**(22,000,662)**	-
At the end of the year	-	22,000,662
Valuation:		
At the beginning of the year	**(2,487,510)**	1,635,593
Net movement during the year	**2,487,510**	(4,123,103)
At the end of the year	-	(2,487,510)
Net carrying value	-	19,513,152

During the year, the Company has disposed its total unit holdings of Med Income Fund and Middle East Venture Fund to MedFinance Holdings Limited and BankMed SAL, respectively, at nil consideration accordingly, the Company recognised loss on disposal amounting to SR 19,513,152 in the statement of profit or loss.

7. INVESTMENTS HELD AT AMORTISED COST

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Investments in:			
Cell C PTY LTD Bonds (note a)	-	12,937,500	12,937,500
Less: provision for expected credit loss	-	(9,056,250)	(497,809)
	-	3,881,250	12,439,691
ABA SEC 1 MSF (note b)	-	14,437,500	14,437,500
Less: provision for expected credit loss	-	(383,909)	(373,085)
	-	14,053,591	14,064,415
	-	17,934,841	26,504,106

	31 December 2020 SR	*31 December 2019 SR*
Investment held at amortised cost		
At the beginning of the year	**27,375,000**	27,375,000
Partial redemption during the year (note b)	**(5,538,968)**	-
Disposed during the year (notes a and b)	**(21,836,032)**	-
Additions during the year (note b)	-	-
At the end of the year	-	27,375,000
Less: provision for expected credit loss (see below)	-	(9,440,159)
	-	17,934,841

Set out below is the movement in the provision for expected credit losses on investments held at amortised cost:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**9,440,159**	870,894
(Reversal) charge for the year, net	**(9,440,159)**	8,569,265
At the end of the year	-	9,440,159

a) This pertains to Cell C Euro bonds amounting to USD 3,450,000 (equivalent to SR 12,937,500) purchased by the Company through BankMed SAL, which carries a fixed interest rate of 8.625% and with maturity date of 2 August 2020. At 31 December 2019, Cell C PTY LTD bond had a non-investment grade rating of D from S&P (1 January 2019: B- from S&P). During the year ended 31 December 2019, Cell C PTY LTD defaulted on its interest payment due on 1 December 2019. Accordingly, the Company suspended the interest income not received and recorded 70% provision on the exposure based on the Company's ECL methodology. On maturity date, Cell C PTY LTD failed to pay the principal amount due and accordingly, the Company recorded additional 30% provision. During the year ended 31 December 2020, the Company sold its investment in Cell C PTY LTD bonds to MedFinance Holdings Limited (a related party) at nil consideration and recorded a loss on disposal of SR 12,937,500.

b) In 2018, the Company made an investment in a Mutual Securitization Fund "ABA SEC 1 MSF" through subscribing in 77 Class A asset backed fixed rate notes of USD 50,000 (SR 187,500) each (total of USD 3,850,000 equivalent to SR 14,437,500). These notes were issued at an annual interest rate of 8% and mature on June 30, 2027. On 21 October 2020, the Company made partial redemption on its investment of amounting to SR 5,538,968. As at 31 December 2020, the Company had sold the remaining balance of the related investments to BankMed DIFC Branch (a related party) at nil consideration and recorded a loss on disposal of SR 8,898,532.

8. LONG TERM DEPOSIT

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Long term deposit (note a)	**18,857,461**	18,857,461	18,857,461
Less: provision for expected credit losses	**(11,314,477)**	(2,819,787)	(34,948)
	7,542,984	16,037,674	18,822,513

(a) Long term deposit represents a deposit with BankMed SAL amounting to SR 18,857,461 maturing on 20 December 2022 and earning a rate of return of 4.25% per annum. During the year the Company has provided an expected credit loss of SR 8,494,690 against the related deposit.

9. PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives as set out below:

Leasehold improvements	10 years	Office equipment	4-10 years
Computers	8 years	Motor vehicles	4 years
Furniture and fixtures	10 years		

	Leasehold improvements SR	*Computers SR*	*Furniture and fixtures SR*	*Office equipment SR*	*Motor vehicles SR*	*Total 31 December 2020 SR*
Cost:						
As at 1 January 2020	1,539,775	989,857	684,274	470,326	557,199	**4,241,431**
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 31 December 2020	**1,539,775**	**989,857**	**684,274**	**470,326**	**557,199**	**4,241,431**
Accumulated depreciation:						
As at 1 January 2020	1,529,372	722,796	648,980	467,120	525,154	**3,893,422**
Charge for the year	4,462	76,970	11,182	3,206	28,050	**123,870**
As at 31 December 2020	**1,533,834**	**799,766**	**660,162**	**470,326**	**553,204**	**4,017,292**
Net book values:						
As at 31 December 2020	**5,941**	**190,091**	**24,112**	**-**	**3,995**	**224,139**

9. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements SR	*Computers SR*	*Furniture and fixtures SR*	*Office equipment SR*	*Motor vehicles SR*	*Total SR*
Cost:						
As at 1 January 2019	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
As at 31 December 2019	1,539,775	989,857	684,274	470,326	557,199	4,241,431
Accumulated depreciation:						
As at 1 January 2019	1,524,308	666,305	635,874	440,278	497,104	3,763,869
Charge for the year	5,064	56,491	13,106	26,842	28,050	129,553
As at 31 December 2019	1,529,372	722,796	648,980	467,120	525,154	3,893,422
Net book value						
As at 31 December 2019	10,403	267,061	35,294	3,206	32,045	348,009
As at 1 January 2019	15,467	323,552	48,400	30,048	60,095	477,562

10. INTANGIBLE ASSETS

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 8 years.

	31 December 2020 SR	*31 December 2019 SR*
Cost:		
At the beginning of the year	**1,048,350**	1,048,350
Additions	**-**	-
At the end of the year	**1,048,350**	1,048,350
Accumulated amortisation:		
At the beginning of the year	**840,996**	777,515
Charge for the year	**62,949**	63,481
At the end of the year	**903,945**	840,996
Net book value:		
At the end of the year	**144,405**	207,354

11. LEASES

Set out below are the carrying amounts of right-of-use asset recognised and the movements during the year:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**2,176,438**	2,720,548
Depreciation	**(544,081)**	(544,110)
At the end of the year	**1,632,357**	2,176,438

Set out below are the carrying amounts of lease liability and the movements during the year:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**2,212,704**	2,720,548
Finance charge on lease liability	**55,234**	72,606
Payment during the year	**(580,450)**	(580,450)
At the end of the year	**1,687,488**	2,212,704

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Non-current portion	**1,141,421**	1,687,488	2,212,704
Current portion	**546,067**	525,216	507,844
	1,687,488	2,212,704	2,720,548

12. CASH AND CASH EQUIVALENTS

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Demand deposit (note a)	**104,591,412**	98,633,059	95,560,450
Bank current accounts	**338,918**	360,857	254,297
Cash in bank	**104,930,330**	98,993,916	95,814,747
Less: provision for expected credit losses	**(62,754,984)**	(6,793,143)	(183,600)
	42,175,346	92,200,773	95,631,147
Cash on hand	**12,848**	16,627	15,988
	42,188,194	92,217,400	95,647,135

(a) Demand deposit earns an average rate of return of 6% per annum (31 December 2019: 6% per annum and 1 January 2019: 6% per annum). The demand deposit is with BankMed SAL. During the year ended 31 December, the Company has made an expected credit loss provision of SR 55,961,841.

13. ACCRUED INCOME, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Prepaid expenses	**410,681**	416,757	231,863
Refundable deposit	**92,178**	92,178	87,178
Accrued asset management fee	**51,000**	572,626	215,866
Accrued commission income	**20,035**	334,398	436,879
Other receivables	**132,283**	113,111	107,294
	706,177	1,529,070	1,079,080

14. RELATED PARTY TRANSACTIONS AND BALANCES

Following are the significant transactions with related parties during the year:

Related party	*Nature of transactions*	*31 December 2020 SR*	*31 December 2019 SR*	*1 January 2019 SR*
Parent Company				
BankMed SAL	Investment held at FVTPL sold (*)	**9,268,695**	-	-
	Special commission income	**6,150,479**	6,058,534	6,057,219
	Custody charges	**12,794**	26,594	19,514
Affiliates				
MedFinance Holdings Limited	Investment held at FVTPL sold (*)	**10,244,457**	-	-
	Investment held at amortised cost sold (**)	**12,937,500**	-	-
BankMed DIFC Branch	Investment held at amortised cost sold (**)	**8,898,532**	-	-
Managed Fund				
Med-SI Real Estate Development Fund II	Management fees	**403,103**	3,275,835	8,000,000

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	*Nature of transactions*	*31 December 2020 SR*	*31 December 2019 SR*	*1 January 2019 SR*
Board of Directors	Board of Directors' remuneration	**600,000**	600,000	600,000
Key management	Key management compensation	**1,125,000**	1,125,000	1,552,500

(*) During the year, the investments held at FVTPL having a carrying value mentioned above were sold to related party at nil consideration.

(**) During the year, the investments held at amortised cost having a costs mentioned above were sold to related party at nil consideration.

In addition to the above, most of the routine banking transactions of the Company are carried out with BankMed SAL. Demand deposits at the end of the reporting period with BankMed SAL amounted to gross amount of SR 104,591,412 and net amount of SR 41,836,565 (31 December 2019: gross amount of SR 98,633,059 and net amount of SR 91,840,053 and 1 January 2019: gross amount of SR 95,560,450 and net amount of SR 95,376,974) after taking the impact of provision for expected credit losses and are included under cash and cash equivalents (note 12). Long term deposit at the end of the reporting period with BankMed SAL amounted to gross amount of SR 18,857,461 and net amount of SR 7,542,984 (31 Decembe2019: gross amount of SR 18,857,461 and net amount of SR 16,037,674 and 1 January 2019: gross amount of SR 18,857,461 and net amount of SR 18,822,513) after taking the impact of provision for expected credit losses. As at 31 December 2020, the Company had a receivable from Med-SI Real Estate Development Fund II amounting to SR 51,000 (31 December 2019: SR 572,626 and 1 January 2019: nil).

15. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**2,206,101**	1,591,000
Current service cost	**272,485**	243,559
Interest cost	**79,299**	77,547
Paid during the year	**(19,076)**	(37,140)
Actuarial loss	**219,475**	331,135
At the end of the year	**2,758,284**	2,206,101

The amount recognised in other comprehensive income is net of deferred tax amounting to SR 43,895 as at 31 December 2020 (31 December 2019: SR 66,227).

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2020	*31 December 2019*	*1 January 2019*
Discount rate	**2.75%**	3.60%	4.90%
Rate of salary increases	2%	2%	2%

All movements in the employees defined benefit liabilities are recognized in profit or loss except for the remeasurement of actuarial loss (gain) which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

15. EMPLOYEES DEFINED BENEFIT OBLIGATIONS (continued)

Sensitivity analysis (continued)

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Increase in discount rate of 1 %	**(322,397)**	(257,872)	(179,000)
Decrease in discount rate of 1%	**383,155**	306,728	212,000
Increase in rate of salary increase of 1%	**382,141**	308,679	217,000
Decrease in rate of salary increase of 1%	**(327,517)**	(263,950)	(185,000)

16. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Accrued employee bonuses	**1,105,650**	1,105,650	1,105,650
Accounts payable	**242,429**	343,735	248,149
Accrued expenses	**21,288**	9,310	32,579
	1,369,367	1,458,695	1,386,378

17. PROVISION FOR INCOME TAX

The Company is owned by non-Saudi shareholders and hence is subject only to income tax. The income tax liability is calculated on the basis of the income tax law issued by ZATCA.

Charge for the year

The significant components of taxable income attributable to foreign shareholders for the year which are subject to certain adjustments under the income tax regulations are payable as follows:

	31 December 2020 SR	*31 December 2019 SR*
Adjusted net income for the year	**117,820**	3,654,940
Taxable income of foreign shareholders	**117,820**	3,654,940
Estimated income tax at 20%	**23,564**	730,988

Movement in provision during the year

The movement in the provision for income tax is as follows:

	31 December 2020 SR	*31 December 2019 SR*
Balance at the beginning of the year	**648,067**	640,677
Charge for the year	**23,564**	730,988
Adjustment for income tax of pervious year	**-**	(198,556)
Payments during the year	**(648,067)**	(525,042)
Balance at the end of the year	**23,564**	648,067

Status of assessments

The Company has filed its tax returns for all the years up to 31 December 2019 with ZATCA and has obtained final income tax certificate up to the year ended 31 December 2013 and provisional income tax certificates for the years from 31 December 2014 through 31 December 2019. However, the assessments have not yet been raised by the ZATCA.

18. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the balance sheet liability method. The movement in the deferred tax account is as follows:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	**4,499,388**	758,433
Amount recognized in profit or loss	**11,040,069**	3,674,728
Amount recognized in other comprehensive income	**43,895**	66,227
At the end of the year	**15,583,352**	4,499,388

Deferred tax assets relate to provisions for employees' defined benefit liabilities and for expected credit losses and accumulated depreciation on property and equipment. Management believes that future taxable profits will be available against which deferred tax asset can be realised. Deferred tax assets comprising temporary differences relates to:

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Property and equipment	**217,803**	247,550	222,345
Employees' defined benefit liabilities	**551,657**	441,220	318,200
Provision for expected credit losses	**14,813,892**	3,810,618	217,888
At the end of the year	**15,583,352**	4,499,388	758,433

	Deferred tax asset SAR	*Profit or loss SAR*	*Deferred tax asset SAR*	*Profit or loss SAR*
Temporary differences arising in net book value of property and equipment	**(29,747)**	**(29,747)**	25,205	(25,205)
Temporary differences arising in net defined benefit obligation	**110,437**	**66,542**	123,020	(56,793)
Temporary differences arising in provisions for expected credit losses	**11,003,274**	**11,003,274**	3,592,730	(3,592,730)
	11,083,964	**11,040,069**	3,740,955	(3,674,728)

19. SHARE CAPITAL

The share capital of the Company amounting to SR 100,000,000 is divided into 10,000,000 shares of SR 10 each (31 December 2019: 10,000,000 shares of SR 10 each and 1 January 2019: 10,000,000 shares of SR 10 each).

20. SPECIAL COMMISSION INCOME

	31 December 2020 SR	*31 December 2019 SR*
Special commission income from:		
Demand deposits	**5,417,160**	5,313,059
Investments held at amortized cost	**816,909**	1,465,446
Time deposit	**733,320**	745,475
Investments held at FVTPL	**138,699**	945,289
	7,106,088	8,469,269

21. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2020 SR	*31 December 2019 SR*
Board of Directors' remuneration (note 14)	**600,000**	600,000
Amortization of right-of-use asset (note 11)	**544,081**	544,110
Subscription fees	**369,657**	279,042
Professional and consulting services expenses	**301,631**	269,386
Depreciation of property and equipment (note 9)	**123,870**	129,553
Attestation and government related expenses	**119,137**	146,913
Maintenance expense	**118,098**	355,957
Travel expenses	**116,682**	322,443
Utilities	**79,625**	89,756
Amortization of intangible assets (note 10)	**62,949**	63,481
Withholding tax	**6,114**	22,535
Other expenses	**163,131**	450,080
	2,604,975	3,273,256

22. FIDUCIARY ASSETS

Fiduciary assets comprise of investments and funds managed by the Company on behalf of the clients.

Investments

The market value of the investments held by the Company in a fiduciary capacity at 31 December 2020 amounted to nil including cash balance of nil (31 December 2019: SR 8.6 million including cash balance of SR 1.1 million and 1 January 2019: SR 49.1 million including cash balance of SR 13.6 million). Such assets are not recorded in the Company's statement of financial position.

Assets under management

This represents Med-SI Real Estate Development Fund II's net assets managed by the Company amounting to SR 12,556,446 as at 31 December 2020 (31 December 2019: SR 121,788,917 and 1 January 2019: SR 757,755,817). Assets of the fund are not recorded in the Company's statement of financial position.

23. FINANCIAL INSTRUMENTS

Financial assets

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Financial assets at amortised cost			
Cash and cash equivalents	**42,188,194**	92,217,400	95,647,135
Long term deposit	**7,542,984**	16,037,674	18,822,513
Accrued commission income and other receivables	**295,496**	1,112,313	847,217
Investments	**-**	17,934,841	26,504,106
	50,026,674	127,302,228	141,820,971
Financial assets through profit or loss			
Investments	**-**	19,513,152	24,135,593
Total financial assets	**50,026,674**	146,815,380	165,956,564

23. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Current financial liabilities			
Lease liability (note 11)	**546,067**	525,216	507,844
Accounts payable (note 16)	**242,429**	343,735	248,149
	788,496	868,951	755,993
Non-current financial liability			
Lease liability (note 11)	**1,141,421**	1,687,488	2,212,704
Total financial liabilities	**1,929,917**	2,556,439	2,968,697

Fair values

At 31 December 2020, the fair values of the Company's financial assets and financial liabilities approximate the carrying value and classified as level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior years.

Financial instruments risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk, and special commission rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Market risk

Price risk

Price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Company manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration. As at the reporting date, the 1% movement in price would result in increase/decrease of amounting to nil (31 December 2019: SR 195,131 and 1 January 2019: SR 241,356).

Foreign exchange risk

Currency risk is the risk that the value of a financial investment will fluctuate due to change in foreign exchange rates. Management closely monitors the exchange rate fluctuations and believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals with US Dollars. The Company did not undertake significant transactions in foreign currencies other than US Dollars and since Saudi Riyal is currently on a fixed parity to the US Dollars, therefore the management believes that the Company does not have any significant exposure to currency risk.

Special commission rate risk

The Company is subject to special commission rate risk on its special commission bearing demand deposits, term deposits and lease liabilities. All of the special commission bearing assets and liabilities of the Company carry fixed rate of special commission and therefore, management believes that the Company is not exposed to any special commission rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash at bank, long term deposit, accrued income and other receivables and investments.

23. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

	31 December 2020 SR	*31 December 2019 SR*	*1 January 2019 SR*
Cash and cash equivalents	**42,175,346**	92,200,773	95,631,147
Long term deposit	**7,542,984**	16,037,674	18,822,513
Accrued commission income and other receivables	**295,496**	1,112,313	847,217
Investments held at amortised cost	**-**	17,934,841	26,504,106
Total financial assets	**50,013,826**	127,285,601	141,804,983

The management has conducted a review of expected credit losses as required under IFRS 9 and based on such assessment, the management has recorded for cash and cash equivalents and long term deposit provision for expected credit losses amounting to SR 62,754,984 (note 12) and SR 11,314,477 (note 8), respectively. Whereas, the management believes that there is no need for any significant impairment loss against the carrying value of accrued commission income and other receivables.

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.

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

31 December 2020	*Within 3 months SR*	*3 months to 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Accounts payable	242,429	-	-	-	**242,429**
Lease liability	580,450	-	1,160,900	-	**1,741,350**
	822,879	**-**	**1,160,900**	**-**	**1,983,779**

31 December 2019	*Within 3 months SR*	*3 months to 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Accounts payable	343,735	-	-	-	343,735
Lease liability	580,450	-	1,741,350	-	2,321,800
	924,185	-	1,741,350	-	2,665,535

1 January 2019	*Within 3 months SR*	*3 months to 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Accounts payable	248,149	-	-	-	248,149
Lease liability	580,450	-	2,321,800	-	2,902,250
	828,599	-	2,321,800	-	3,150,399

24. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

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

	2020 *SR'000*	*2019* *SR'000*
Capital base:		
Tier I	**46,456**	143,232
Tier II	**-**	-
Total capital base (A)	**46,456**	143,232
Minimum capital requirement:		
Market risk	**989**	2,552
Credit risk	**12,532**	49,735
Operational risk	**26,061**	6,742
Total minimum capital requirement (B)	**39,582**	59,029
Surplus in the capital (C=A-B)	**6,874**	84,203
Capital adequacy (D=A/B)	**1.17**	2.43

a) The capital base of the Company is comprised of:
Tier 1 capital includes share capital, statutory reserve and audited (accumulated losses) retained earnings.

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

c) The Company manages its capital base in light of Pillar I and Pillar II of the Rules issued by the CMA and the capital base should not be less than the minimum capital requirement.

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

25. IMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL STATEMENTS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including KSA. Governments all over the world took steps to contain the spread of virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdown and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the management has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

As of the date of preparation of the financial statements for the year ended 31 December 2020, the management has not identified any significant impact on Company's operations and financial results from the COVID-19 outbreak. These developments could impact our future financial results, cashflows and financial condition and the management will continue to assess the nature and extent of the impact on its business and financial results.

26. PRIOR PERIOD ADJUSTMENTS

At adoption of IFRS 9, the Company classified certain investments in funds as held at fair value through other comprehensive income. However, during the year it was noticed that these instruments does not meet the classification criteria of equity instruments accordingly, should have been classified as investment held at fair value through profit and loss and as such fair value changes should have been recognised in the profit or loss instead of investment revaluation reserve under equity.

The effect of the above adjustment on the comparative figures is as follows:

Statements of financial position and changes in equity

	Amounts, as previously stated	*Reclassification*	*Adjustment*	*Amounts, as restated*
	SR	*SR*	*SR*	*SR*
31 December 2019				
Investments held at FVOCI	19,513,152	(19,513,152)	-	-
Investments held at FVTPL	-	19,513,152	-	19,513,152
Investments revaluation reserve	(2,487,510)	-	2,487,510	-
Retained earnings	42,810,252	-	(2,487,510)	40,322,742
1 January 2019				
Investments held at FVOCI	24,135,593	(24,135,593)	-	-
Investments held at FVTPL	-	24,135,593	-	24,135,593
Investments revaluation reserve	1,635,593	-	(1,635,593)	-
Retained earnings	54,826,592	-	1,635,593	56,462,185

Statements of profit or loss and other comprehensive income

	Amounts, as previously stated	*Adjustment*	*Amounts, as restated*
	SR	*SR*	*SR*
31 December 2019			
Loss for the year	(11,751,432)	(4,123,103)	(15,874,535)
Other comprehensive loss	(4,388,011)	4,123,103	(264,908)

27. COMPARATIVE FIGURES

In addition to prior period adjustments in note 26, certain expenses which were presented as part of general and administration expenses in the current year instead on the face of the statement of profit or loss and other comprehensive income.

28. CONTINGENT LIABILITIES

The Company had no contingent liabilities in existence at the reporting date.

29. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements, which require adjustments to or disclosure in these financial statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 Dhul Hijjah 1442H (corresponding to 4 August 2021).