SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

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

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2020

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Independent auditor's report to the shareholders of Saudi Venture Capital Investment Company

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Material uncertainty related to going concern

We draw attention to Note 1 to the accompanying financial statements which states that the Company has incurred a loss for the year amounting to Saudi Riyals ("SR") 2.1 million and has negative operating cashflows of SR 0.3 million during the current year. Further, as at December 31, 2020, the Company has accumulated losses amounting to SR 23.4 million which is approximately 37% of the share capital of the Company. Note 1 also states that it is expected that, in future, the Company may breach the Regulation for Companies requirement pertaining to accumulated losses not exceeding 50% of the share capital of the Company and accordingly may not be able to continue its operations. Further, as at December 31, 2020, the Company is also in breach of capital adequacy ratio specified in the prudential rules issued by Capital Market Authority ("CMA"). This breach may result in suspension of the Company's license by the CMA. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect.

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Independent auditor's report to the shareholders of Saudi Venture Capital Investment Company (continued)

Emphasis of matter - Significant estimation uncertainty in relation to the valuation of Investments held at fair value through other comprehensive income (FVOCI)

We draw attention to Note 2.1 (iv) and Note 5 to the accompanying financial statements. The later note explains that there is a significant estimation uncertainty in determining the fair valuation of the investment in real estate amounting to SR 15.3 million included in the statement of financial position as at December 31, 2020. In particular, the independent valuer engaged by the Company for the fair valuation assessment of the investment in real estate has also included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation than normal. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Independent auditor's report to the shareholders of Saudi Venture Capital Investment Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

Report on other legal and regulatory requirements

Article 135 of the Regulations for Companies requires that the auditor includes in its report what might come to its attention with respect to non-compliance of the Regulations for Companies or the Company's By-laws. During the course of our audit of the financial statements, and without having any material impact on the financial statements, we became aware that the external auditors were not invited to attend and read the auditor's report in the annual general assembly meeting held to approve the financial statements of the Company for the year ended December 31, 2019, as required in Article 135 of the Regulations for Companies.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

April 20, 2021

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	As at December 31, 2019
Assets			
Current assets			
Cash and bank balances	3,13	**2,153,656**	126,764
Short-term deposits	13	**25,447,564**	10,251,625
Prepayments and other receivables-net	4	**11,608,728**	12,654,536
Total current assets		**39,209,948**	23,032,925
Non-current assets			
Investment held at fair value through other comprehensive income (FVOCI)	5	**15,867,254**	42,385,594
Property and equipment	6	**46,166**	93,994
Total non-current assets		**15,913,420**	42,479,588
Total assets		**55,123,368**	65,512,513
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accrued expenses and other current liabilities	7	**3,054,217**	3,018,417
Provision for zakat	8.2	**19,046,411**	17,976,255
Total current liabilities		**22,100,628**	20,994,672
Non-current liability			
Employees' end of service benefits (EOSB)	9	**356,193**	302,751
Total liabilities		**22,456,821**	21,297,423
Shareholders' equity			
Share capital	10	**62,383,860**	101,250,000
Re-measurement reserve for employees' EOSB		**17,676**	17,676
Fair value reserve - investments held at FVOCI	5.1	**(6,361,091)**	(2,342,751)
Accumulated losses		**(23,373,898)**	(54,709,835)
Total shareholders' equity		**32,666,547**	44,215,090
Total liabilities and shareholders' equity		**55,123,368**	65,512,513
Contingencies and commitments	12		

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2020	December 31, 2019
Operating income			
Special commission income on short term deposits	14.2	**483,350**	406,883
Total operating income		**483,350**	406,883
Operating expenses			
Salaries and employee related expenses	14.3	**(922,283)**	(923,506)
Other general and administrative expenses	11	**(609,401)**	(839,775)
Total operating expenses		**(1,531,684)**	(1,763,281)
Loss before zakat		**(1,048,334)**	(1,356,398)
Zakat – provision for the year	8.1	**(1,070,156)**	(1,609,490)
Net loss for the year		**(2,118,490)**	(2,965,888)

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended	
	Note	**December 31, 2020**	**December 31, 2019**
Net loss for the year		**(2,118,490)**	(2,965,888)
Other comprehensive income / (loss):			
Items that will not be reclassified subsequently to the statement of income			
- Fair value loss on remeasurement of investments held at FVOCI	5.1	**(4,596,098)**	(330,465)
- Exchange gain on remeasurement of investments held at FVOCI	5.1	**577,758**	643,504
Other comprehensive (loss) / income for the year		**(4,018,340)**	313,039
Total comprehensive loss for the year		**(6,136,830)**	(2,652,849)

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Re-measurement reserve for employees' EOSB	Fair value reserve - investment held at FVOCI	Accumulated losses	Total
Balance at January 1, 2020		**101,250,000**	**17,676**	**(2,342,751)**	**(54,709,835)**	**44,215,090**
Net loss for the year		**-**	**-**	**-**	**(2,118,490)**	**(2,118,490)**
Other comprehensive loss for the year	5.1	**-**	**-**	**(4,018,340)**	**-**	**(4,018,340)**
Total comprehensive loss for the year		**-**	**-**	**(4,018,340)**	**(2,118,490)**	**(6,136,830)**
Realised loss on disposal of investments held at FVOCI		**-**	**-**	**-**	**(5,411,713)**	**(5,411,713)**
Capital reduction	19	**(38,866,140)**	**-**	**-**	**38,866,140**	**-**
Balance at December 31, 2020		**62,383,860**	**17,676**	**(6,361,091)**	**(23,373,898)**	**32,666,547**
Balance at January 1, 2019		101,250,000	17,676	(3,501,511)	(42,368,947)	55,397,218
Net loss for the year		-	-	-	(2,965,888)	(2,965,888)
Other comprehensive income for the year	5.1	-	-	313,039	-	313,039
Total comprehensive income / (loss) for the year		-	-	313,039	(2,965,888)	(2,652,849)
Transfer for investments written-off	5.1	-	-	845,721	(845,721)	-
Cost of investments held at FVOCI written-off	5.1	-	-	-	(8,529,279)	(8,529,279)
Balance at December 31, 2019		101,250,000	17,676	(2,342,751)	(54,709,835)	44,215,090

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI VENTURE CAPITAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended	
	Note	**December 31, 2020**	**December 31, 2019**
Cash flows from operating activities			
Loss before zakat		**(1,048,334)**	(1,356,398)
Adjustments for non-cash charges and other items			
Depreciation	6, 11	**47,828**	47,829
Provision for employees' EOSB	9.2	**53,442**	53,442
Special commission income on short-term deposits		**(483,350)**	(406,883)
Changes in working capital:			
Prepayments and other receivables – net		**1,045,808**	(93,073)
Accrued expenses and other liabilities		**35,800**	182,708
Zakat paid	8.2	**-**	(714,100)
Net cash used in operating activities		**(348,806)**	(2,286,475)
Cash flows from investing activities			
Proceed from sale of investment		**17,088,287**	-
Special commission income received on short-term deposits		**483,350**	406,883
Net cash generated from investing activities		**17,571,637**	406,883
Net change in cash and cash equivalents		**17,222,831**	(1,879,592)
Cash and cash equivalents at the beginning of the year		**10,378,389**	12,257,981
Cash and cash equivalents at the end of the year	13	**27,601,220**	10,378,389
Supplemental schedule for non-cash information			
Remeasurement changes on investments held at FVOCI, net	5.1	**(4,596,098)**	(330,465)
Provision for zakat	8.2	**1,070,156**	1,609,490

The accompanying notes from 1 to 20 form an integral part of these financial statements.

1. General

Saudi Venture Capital Investment Company (the "Company") is a Saudi Closed Joint Stock Company. The Company obtained a license number 09139-36 dated Jumada Thani 29, 1430H (corresponding to June 22, 2009) from the Capital Market Authority ("CMA"). Subsequently the Company obtained a new license number 12165-37 dated Muharam 25, 1434H (corresponding to December 9, 2012). The Company is registered under commercial registration number 2051064716 dated Dhul Al Hijjah 20, 1438H (corresponding to September 11, 2017) and ministerial resolution number 6-Q dated Muharram 5, 1432H (corresponding to December 11, 2010). The Company was authorised by CMA to commence business on Rajab 12, 1432H (corresponding to June 14, 2011). The objectives of the Company are to provide dealing as principal, advisory and arranging services.

The registered address of the Company is Al-Subaie Towers, P.O. Box 5316, King Fahd Ibn Abdul Aziz road, Al Khobar 34433 - 6079, Kingdom of Saudi Arabia.

The Company has incurred a loss for the year amounting to Saudi Riyals ("SR") 2.1 million (2019: SR 2.9 million) and has negative operating cashflows of SR 0.3 million during the current year (2019: SR 2.3 million). Further, as at December 31, 2020, the Company has accumulated losses amounting to SR 23.4 million (2019: SR 54.7 million) which is approximately 37% (2019: 54%) of the share capital of the Company. It is expected that, in future, the Company may breach the Regulation for Companies requirement pertaining to accumulated losses not exceeding 50% of the share capital of the Company and accordingly may not be able to continue its operations. Further, as at December 31, 2020, the Company is also in breach of capital adequacy ratio specified in the prudential rules issued by CMA. This breach may result in suspension of the Company's license by the CMA (also see note 16). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the management believes that it has sufficient liquidity to settle its liabilities and the Company will continue as a going concern for the next twelve months. Moreover, the management has a plan to dispose-off its investments over the period of next three years and reduce its share capital significantly and become a Company licensed to provide only arranging services. This will improve the accumulated losses situation and the Company will become compliant with the requirements of the Regulation for Companies. Further, it is expected that the receivable balance from one of the shareholders will be settled during the next twelve months which will improve the capital adequacy ratio of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

These financial statements were approved and authorised for issue by the Board of Directors of the Company on April 19, 2021.

2. Significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with IFRS

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

(ii) Historic cost convention

These financial statements have been prepared:

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

(iii) Functional and presentation currency

These financial statements are presented in Saudi Riyals, which is also the functional currency of the Company.

(iv) Critical accounting estimates and judgments

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

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

(a) Fair value of securities not quoted in the active market

The Company values financial assets measured at level 3 using its own internally generated models, which are based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are fair values of net assets and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by the experienced personnel at the Company. The sensitivity to unobservable inputs is based on management's expectation of reasonable possible shifts in these inputs, taking into consideration historical volatility and estimations of future market movements.

(b) Going concern

These financial statements have been prepared on a going concern basis. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

(v) New standards effective in the current year

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

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

(vi) New standards and interpretations not yet effective and not early adopted by the Company

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

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform –Phase 2.
- Amendments to IFRS 3 'Business combinations', IAS 16, 'Property, plant and equipment', and IAS 37 'Provisions, contingent liabilities and contingent assets'
- Amendments to IAS 1, Presentation of financial statements on classification of liabilities.
- Amendments to IAS 1, 'Presentation of financial statements', IFRS Practice statement 2 and IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- IFRS 17, 'Insurance contracts' as amended in June 2020 by amendments to IFRS 17, Insurance Contracts.

2.2 Cash and bank balances

Cash and bank balances are carried at amortised cost in the statement of financial position.

For the purpose of statement of cash flows, cash and cash equivalents include cash in hand, balances with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

2.3 Financial instruments

2.3.1 Initial recognition and measurement

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

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

2.3.2 Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortised cost
- Fair value through statement of income (FVSI)
- Fair value through other comprehensive income (FVOCI)

<u>Debt instruments</u>

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

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

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

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

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

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

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

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 2.3.3. Profit earned from these financial assets is recognised in the statement of income using the effective commission rate method.

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

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

The SPPP assessment is performed on initial recognition of an asset and it is not subsequently re-assessed.

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

Currently bank balances, short term deposits and other receivables are classified as held at amortised cost. There are no debt securities classified as FVSI or FVOCI.

<u>Equity instruments</u>

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

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

The Company has irrevocably designated all equity investments at FVOCI. Re-measurement of these equity instruments are carried at fair value and is recognised in the statement of comprehensive income, within "Fair value gain / (loss) on remeasurement of investments held at FVOCI", in the period in which it arises. The exchange gain / (loss) is also recognised in statement of comprehensive income, within "Exchange gain on remeasurement of investments held at FVOCI", in the period in which it arises.

2.3.3 Impairment of financial assets

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

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

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

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

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

The financial assets of the Company that are subject to ECL review include bank balances, short-term deposits and other receivables.

The impact of ECL on the financial assets of the Company is not significant. A significant exposure of the Company is receivable from related parties and placement with a related party which are payable on demand and expected to be settled in full in the next 12 months. Other exposure includes placement with a bank which has a sound credit rating as at the reporting date. Hence, the Company considers that receivables, placement with a related party and bank balances have low credit risk.

2.3.3.1 Stages of impairment under IFRS 9

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

Stage 1 - Performing financial assets

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

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

Stage 2 - Financial assets with significant increase in credit risk

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

Stage 3 - Credit impaired financial assets

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

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

2.3.3.2 Transfer criterions

Other receivables

Stage 1 to Stage 2

- If the amount is more than 30 days past due.

Stage 2 to Stage 3

- If the amount is more than 90 days past due.

2.3.3.3 Expected credit loss measurement

Other receivables

Staging criteria:
Staging is done in accordance with criteria mention in note 2.3.3.1 and 2.3.3.2

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

Quantitative criteria:
The increase in the days past due of the counterparty by 30 days or more at the reporting date.

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

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

Definition of default:
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

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

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

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

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

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering binomial distribution of total borrowers and total defaults. The choice of confidence level is subjective and a confidence level of below 90% is used for calculation of PD.

LGD is the magnitude of the likely loss if there is a default. As the Company has no loss history, an expert judgment-based model has been developed, based on the available information with the Company.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

2.3.4 Fair valuation of financial instruments

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the Company determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The Company applies the fair value of a financial instrument on initial recognition as normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in statement of income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2.3.5 Derecognition of financial instruments

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

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

2.3.6 Offsetting of financial instruments

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

2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). Normal repair and maintenance costs are recognized in the statement of income as and when incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the entity and the cost of that item can be measured reliably.

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

	Years
Leasehold improvements	5
Furniture, fixtures and office equipment	5
Motor vehicles	5

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the estimated term of the lease.

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

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

2.5 Impairment of non-financial assets

Property and equipment and other non-financial assets

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

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

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

2.6 Accrued expenses and other current liabilities

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company. These are carried at amortised cost.

2.7 Provisions

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

2.8 Employees' EOSB

The employees' EOSB provision is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labour Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the date of statement of financial position. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to re-measurement reserve for employees' EOSB through statement of comprehensive income in the period in which these occur. These re-measurements' gain / loss is not reclassified to statement of income in subsequent periods.

Past service costs are recognized in statement of income on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying a discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

2.9 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year, after absorption of accumulates losses, is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of its share capital. The reserve is not available for distribution to the Company's shareholders.

Due to accumulated losses, no such transfers were made during the years ended December 31, 2020 and 2019.

2.10 Zakat and income taxes

In accordance with the regulations of the General Authority for Zakat and Tax (the "GAZT"), the Company is subject to zakat on their local and Gulf Cooperation Council ("GCC") registered shareholders.

Zakat

Zakat is calculated based on higher of estimated zakat base and adjusted net profit and charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Withholding taxes

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

2.11 Value added tax (VAT)

The Company is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT, if any, related to revenue is payable to tax authorities on the earlier of:

(a) collection of receivables from customers, or
(b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice.

The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and a liability.

2.12 Assets held in trust or in a fiduciary capacity

If the Company holds assets in a trust or in a fiduciary capacity, such assets are not treated as assets of the Company and accordingly are not included in the financial statements. However, currently the Company does not hold any such assets.

2.13 Revenue

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

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

Currently, the Company has no revenue stream which are assessed as per above five steps.

2.14 Special commission income / expense

Special commission income / expense is recognized on effective commission rate basis.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset / liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset / liability. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset / liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

2.15 Expenses

All expenses are classified as general and administrative expenses.

2.16 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the period-end are translated into Saudi Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income. (Also refer note 2.3.2).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

2.17 Contingent assets and liabilities

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

(All amounts in Saudi Riyals unless otherwise stated)

3. Cash and bank balances

	December 31, 2020	December 31, 2019
Bank balances	**2,151,200**	118,578
Cash in hand	**2,456**	8,186
	2,153,656	126,764

4. Prepayments and other receivables-net

	Note	December 31, 2020	December 31, 2019
Receivable from a major shareholder	14.1	**11,534,751**	12,511,876
Prepaid expenses		**59,977**	79,443
Other		**14,000**	63,217
		11,608,728	12,654,536

5. Investments held at fair value through other comprehensive income (FVOCI)

	Note	December 31, 2020	December 31, 2019
Investments - arranged through Venture Capital Bank (VC)			
Real estate - United Kingdom	5.2, 14.1	**15,343,657**	17,478,823
Investment in a shareholder company			
Investment banking (Islamic) – GCC	14.1	**523,597**	2,406,771
Other			
Information technology - MENA		**-**	22,500,000
Total carrying value		**15,867,254**	42,385,594

5.1 The movement in investments held at FVOCI was as follows:

(a) Cost:	December 31, 2020	December 31, 2019
Opening cost	**44,728,345**	54,103,345
Write-off of Shipping – Cyprus	**-**	(9,375,000)
Sale of Information technology – MENA	**(22,500,000)**	-
Closing balance	**22,228,345**	44,728,345

(b) Fair value reserve - investment held at FVOCI:	December 31, 2020	December 31, 2019
Opening balance	**(2,342,751)**	(3,501,511)
Fair value loss on remeasurement of investments held at FVOCI	**(4,596,098)**	(330,465)
Exchange gain on remeasurement of investments held at FVOCI	**577,758**	643,504
	(4,018,340)	313,039
Transfer from fair value reserve to accumulated losses for investment		
- Written off	**-**	845,721
- Disposed off	**-**	-
Closing balance	**(6,361,091)**	(2,342,751)
Total carrying value ((a) +(b))	**15,867,254**	42,385,594

(All amounts in Saudi Riyals unless otherwise stated)

5.2 Investments in real estate – United Kingdom

The independent evaluator has mentioned in the valuation report that there are uncertain market conditions. Property values are subject to fluctuation over time as market conditions may change. Presently, market conditions are subdued with limited or no sales of real estate property.

As per independent evaluator, the valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the evaluator has recommended that the Company keeps the valuation of the property under frequent review. The Company's investment in real estate is classified under Level 3 of the fair value hierarchy.

6. Property and equipment, net

2020	**Leasehold improvements**	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost:				
As at the beginning and end of the year	**212,000**	**838,980**	**347,550**	**1,398,530**
Accumulated depreciation:				
At the beginning of the year	**127,200**	**829,786**	**347,550**	**1,304,536**
Charge for the year	**42,400**	**5,428**	**-**	**47,828**
	169,600	**835,214**	**347,550**	**1,352,364**
Net book value:				
At December 31, 2020	**42,400**	**3,767**	**-**	**46,166**

2019	**Leasehold improvements**	**Furniture, fixtures and office equipment**	**Motor vehicles**	**Total**
Cost:				
As at the beginning and end of the year	212,000	838,980	347,550	1,398,530
Accumulated depreciation:				
At the beginning of the year	84,800	824,357	347,550	1,256,707
Charge for the year	42,400	5,429	-	47,829
	127,200	829,786	347,550	1,304,536
Net book value:				
At December 31, 2019	84,800	9,194	-	93,994

7. Accrued expenses and other current liabilities

	Note	**December 31, 2020**	**December 31, 2019**
Independent directors' fees	14.1	**2,196,000**	2,146,000
Professional fees		**275,207**	300,001
Accrued social security payable	7.1	**183,010**	172,416
Other		**400,000**	400,000
		3,054,217	3,018,417

7.1 This balance represents social insurance payable to the General Organization for Social Insurance ("GOSI") for the employees. The Company has paid SAR 72,028 during the year in respect of social insurance (2019: SAR 78,576).

(All amounts in Saudi Riyals unless otherwise stated)

8. Provision for Zakat

8.1 Zakat

The significant components of the Company's approximate zakat base for the year ended December 31, 2020 principally comprised the following:

	December 31, 2020	December 31, 2019
Share capital	**101,250,000**	101,250,000
Accumulated losses for zakat (adjusted with provision additions)	**(42,774,244)**	(28,077,948)
Book value of long-term assets, as adjusted	**(15,973,398)**	(51,854,588)
Estimated zakat base	**42,502,358**	21,317,464
Zakat @ 2.578% excluding net adjusted loss	**1,095,711**	549,497
Zakat @ 2.5% for net adjusted loss	**(25,555)**	(32,574)
Provision on account of non-deductibility of overseas investments	**-**	1,092,567
	1,070,156	1,609,490

8.2 Movement in provision for zakat

	Note	December 31, 2020	December 31, 2019
Opening balance		**17,976,255**	17,080,865
Charge for the year			
Current	**8.1**	**1,070,156**	1,609,490
Payments		**-**	(714,100)
Closing balance		**19,046,411**	17,976,255

8.3 Status of assessments

The Company has submitted the zakat returns up to 2017 (mixed zakat / tax returns up to 2014 and zakat returns thereafter). The Company is in the process of filing its returns for the years ended December 31, 2018, 2019 and 2020.

The Company has received assessments from GAZT covering the periods 2011 to 2014. These primarily result from GAZT disallowing the deduction of offshore investments from the approximate zakat base. The Company has filed an appeal on such assessment and only the assessment for the year 2011 has been settled and the Company paid the excess amount demanded by GAZT. The remaining assessments are pending final assessment by GAZT.

During the year 2018, the Company filed zakat calculations to GAZT for offshore investments based on their financial statements. Out of which GAZT, as per communication dated December 28, 2018, approved the calculations for 'Food and agriculture – Turkey' (i.e. Goknur) investment of 2014. Approval for the remaining investments are pending with GAZT.

The Company has taken full provision amounting to Saudi Riyals 16.45 million and is included in note 8.2 to these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

9. Employees' End of Service Benefits (EOSB)

The Company operates an EOSB plan for its employees based on the prevailing Saudi Labour Law. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

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

9.1 The amounts recognized in the statement of financial position in respect of employees' EOSB are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	**356,193**	302,751
Fair value of plan assets	**-**	-
	356,193	302,751

9.2 The movement in employees' EOSB is as follows:

	December 31, 2020	December 31, 2019
Opening balance	**302,751**	249,309
Charge to statement of income – current service and interest cost	**53,442**	53,442
Charge to statement of comprehensive income – Remeasurements	**-**	-
Closing balance	**356,193**	302,751

9.3 The reconciliation of present value of defined benefit obligation under the employees' EOSB is as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation as at January 1	**302,751**	249,309
Current service costs	**46,393**	46,393
Financial costs	**7,049**	7,049
Remeasurements	**-**	-
Present value of defined benefit obligation as at December 31	**356,193**	302,751

9.4 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability under the employees' EOSB:

	December 31, 2020	December 31, 2019
Valuation discount rate	**2.00%**	2.93%
Expected rate of increase in salary level across different age bands	**2.00%**	3.00%

(All amounts in Saudi Riyals unless otherwise stated)

9.5 A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation are shown below:

	December 31, 2020	December 31, 2019
Discount rate		
1% increase	**(332,859)**	(279,417)
1% decrease	**383,247**	329,805
Future salary increases		
1% increase	**382,970**	329,528
1% decrease	**(332,650)**	(279,208)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

10. Share capital

The authorised, issued and paid up share capital consists of 6,238,386 shares of Saudi Riyals 10 each (2019: 10,125,000 shares of Saudi Riyals 10 each). (Also see Note 19).

In accordance with the Company's Board of Directors' resolution dated July 30, 2015 and based on the Ministry of Investment – Saudi Arabia (MISA) formerly Saudi Arabian General Investment Authority ("SAGIA") resolution number 62714 dated Dhul Qae'ada 12, 1436H (corresponding to August 27, 2015), the Company is fully owned by Saudi/GCC shareholders.

The major shareholders as of December 31, 2020 were as follows:

	%	No. of shares	Share Capital
Saudi Venture Capital Investment Company - Bahrain W.L.L.	29.81	1,859,673	18,596,729
Venture Capital Bank – Bahrain	10.00	623,839	6,238,386
Abdulaziz Al Ajlan Sons for Commercial and Real Estate Investment	10.00	623,839	6,238,386
Jeddah Commercial Investment Company	10.00	623,839	6,238,386
		3,731,190	**37,311,887**

The major shareholders as of December 31, 2019 were as follows:

	%	No. of shares	Share Capital
Saudi Venture Capital Investment Company - Bahrain W.L.L.	29.81	3,018,279	30,182,790
Venture Capital Bank - Bahrain	10.00	1,012,500	10,125,000
Abdulaziz Al Ajlan Sons for Commercial and Real Estate Investment	10.00	1,012,500	10,125,000
Jeddah Commercial Investment Company	10.00	1,012,500	10,125,000
		6,055,779	60,557,790

11. Other general and administrative expenses

	Note	December 31, 2020	December 31, 2019
Professional and consulting fees		**205,554**	281,525
Rent and maintenance		**141,837**	151,489
Government fees		**101,666**	135,695
Board and committees' expenses	14.3	**50,000**	163,197
Depreciation	6	**47,828**	47,829
Other		**62,516**	60,040
		609,401	839,775

12. Contingencies and commitments

As at December 31, 2020, the Company is not subject to any litigations that would have any impact on the Company's financial statements, other than from the zakat related contingencies as disclosed in note 8 to these financial statements. There are no outstanding commitments as at December 31, 2020.

(All amounts in Saudi Riyals unless otherwise stated)

13. Cash and cash equivalents

	Note	December 31, 2020	December 31, 2019
Cash and bank balances	3	**2,153,656**	126,764
Short-term deposits - Murabaha	13.1 & 14.1	**25,447,564**	10,251,625
		27,601,220	10,378,389

13.1 The Company has placed SR 15 million with Al Salam Bank - Bahrain as a term deposit that earns special commission income at a rate of 1.2% per annum.

14. Related Party Matters

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following are the details of major related party balances and transactions during the year which are either invested through a major shareholder (Venture Capital Bank - Bahrain) or with entities which are related thereto:

14.1 Balances with related parties

	Note	December 31, 2020	December 31, 2019
Assets:			
Investments arranged through VC Bank	5.1	**15,343,657**	17,478,823
Investment in a shareholder company	5.1	**523,597**	2,406,771
Receivables from a shareholder, net (against sale of investments)	4, 14.1(a)	**11,534,751**	12,511,876
Term deposits	14.4	**10,447,564**	10,251,625
Liabilities:			
Accrued remuneration for Board of Directors	7	**2,196,000**	2,146,000
Employee's end of service benefit	9	**356,193**	302,751

(a) Receivable reflects the remaining proceeds of investment disposed off by the Company and receivable from the shareholder. The balance is non-profit bearing and is expected to be settled in 2021 by way of a bullet payment from the shareholder.

14.2 Transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	December 31, 2020	December 31, 2019
Special commission income from short-term deposits	**477,850**	406,883

14.3 Transaction with key management personnel is as follows:

	December 31, 2020	December 31, 2019
Salaries and employee related expenses	**922,283**	923,506
Remuneration for Board of Directors	**50,000**	163,197

14.4 The Company (as part of a cash pooling arrangement with VC bank) has placed SR 10 million with VC Bank as a term deposit that earns special commission income at a rate of 4% per annum. This term deposit is rolled over every year.

15. Financial risk management

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

Financial instruments carried on the statement of financial position include cash and bank balances, short-term deposits, investments held at FVOCI, other receivables, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

15.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

a) Currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, US Dollar and Pound Sterling. Management monitors the exposures and fluctuations in foreign exchange rates and believes that the effect of foreign exchange risk is not significant on the statement of income.

b) Cash flow and fair value commission rate risk

Cash flow and fair value commission rate risks is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows. The Company has short-term deposits which carry a fixed rate of profit and therefore the management believes that the commission rate risk is not significant.

c) Price risk

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

Exposure
The Company is exposed to market risk with respect to its investment in equities.

Sensitivity
Management's best estimate of the effect on statement of comprehensive income for a year due to a reasonably possible change in the fair value, with all other variables held constant is indicated in the table below. There is no effect on statement of income as the Company has no assets classified as FVSI. An equivalent decrease shown below would have resulted in an equivalent, but opposite, impact:

Particulars	**Change in benchmark (%)**	**December 31, 2020**	**December 31, 2019**
Investments held at FVOCI - equity instruments	± 5	**793,363**	2,119,280

15.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Exposure
The financial assets of the Company, which are potentially subject to credit risk consist principally of balances with bank, short-term deposits and other receivables. Cash is placed with a local bank and GCC bank having investment grade credit ratings. Short-term deposit is held with VC Bank (major shareholder) having sound credit rating. Major

(All amounts in Saudi Riyals unless otherwise stated)

portion of other receivables is due to be received from a shareholder within a period of 12 months, hence the credit risk is minimal.

	December 31, 2020	December 31, 2019
Cash and bank balances	**2,153,656**	126,764
Short term deposits	**25,447,564**	10,251,625
Other receivables	**11,548,751**	12,575,093
	39,149,971	22,953,482

15.2.1 Credit risk measurement

The assessment of credit risk of a financial assets carried at amortised cost (cash and bank balances, short term deposits and other receivables) does not entails further estimations of credit risk using ECL which is derived by PD, EAD and LGD. The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with banks which have been assigned investment grade rating of “A-2” as per Standard and Poor’s (S&P). Other receivables is from a major shareholder, which is expected to be settled in 2021. Hence, currently the Company is not exposed to any significant credit risk.

Loss allowance on other receivables

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Carrying amount	**11,548,751**	**-**	**-**	**11,548,751**
Expected credit loss	**-**	**-**	**-**	**-**
	11,548,751	**-**	**-**	**11,548,751**

	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Carrying amount	12,575,093	-	-	12,575,093
Expected credit loss	-	-	-	-
	12,575,093	-	-	12,575,093

Loss allowance on short term deposits

	December 31, 2020			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Carrying amount	**25,447,564**	**-**	**-**	**25,447,564**
Expected credit loss	**-**	**-**	**-**	**-**
	25,447,564	**-**	**-**	**25,447,564**

	December 31, 2019			
	12 month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Carrying amount	10,251,625	-	-	10,251,625
Expected credit loss	-	-	-	-
	10,251,625	-	-	10,251,625

(All amounts in Saudi Riyals unless otherwise stated)

15.2.2 Credit quality analysis

The following table sets out the credit analysis for financial assets as at December 31, 2020.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and bank balances*	**2,153,656**	**-**	**-**	**2,153,656**
Short-term deposits*	**25,447,564**	**-**	**-**	**25,447,564**
Other receivables	**11,548,751**	**-**	**-**	**11,548,751**
Total	**39,149,971**	**-**	**-**	**39,149,971**

The following table sets out the credit analysis for financial assets as at December 31, 2019.

	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and bank balances*	126,764	-	-	126,764
Short-term deposits*	10,251,625	-	-	10,251,625
Other receivables	12,575,093	-	-	12,575,093
Total	22,953,482	-	-	22,953,482

*The balance held with the counterparties in Bahrain are with the banks registered with the Central Bank of Bahrain and therefore management has assumed sovereign rating for those counterparties as banks in Bahrain are mostly unrated.

15.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

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

The following analyses the Company’s financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances are equal to their carrying balances as all are due for repayments within 1 year hence the impact of discounting is not significant.

	Due within 1 year	Due after 1 year
December 31, 2020		
Accrued expenses and other current liabilities	**2,871,207**	**-**
Total	**2,871,207**	**-**
December 31, 2019		
Accrued expenses and other current liabilities	2,846,001	-
Total	2,846,001	-

15.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Company's resources by protecting the assets and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

16. Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensuration with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence, to support future development of the business and to comply with the capital requirements set by CMA. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth.

16.1 Capital adequacy ratio

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as of December 31, 2020:

	December 31, 2020 (SR'000)	**December 31, 2019 (SR'000)**
Capital base:		
Tier - I capital	**32,649**	44,198
Tier - II capital	**-**	-
Total capital base	**32,649**	44,198
Minimum capital requirement:		
Market risk	**2,159**	2,945
Credit risk	**36,615**	36,466
Operational risk	**383**	441
Total minimum capital required	**39,157**	39,852
Capital Adequacy Ratio:		
(Deficit) / surplus in capital	**(6,508)**	4,346
Total Capital Ratio (times)	**0.83**	1.11

a) The above information has been extracted from the Company's annual Capital Adequacy Model for the year ended December 31, 2020 to be submitted to CMA and December 31, 2019 as submitted to CMA.
b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit and Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
c) The Company is required to maintain adequate capital as specified in the Rules. The total capital ratio shall not be less than 1. However, the Company's capital adequacy ratio is less than 1 as at December 31, 2020.
d) Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

17. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

		Fair values			
Accounting classifications and fair values	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2020					
Financial assets					
Financial assets measured at fair value					
Equity instruments	**15,867,254**	**-**	**-**	**15,867,254**	**15,867,254**
Financial assets not measured at fair value					
Financial assets held at amortised cost					
Cash and bank balances	**2,153,656**	**-**	**-**	**2,153,656**	**2,153,656**
Short term deposits	**25,447,564**	**-**	**-**	**25,447,564**	**25,447,564**
Other receivables	**11,548,751**	**-**	**-**	**11,548,751**	**11,548,751**
	55,017,225	**-**	**-**	**55,017,225**	**55,017,225**
Financial liabilities					
Financial liabilities not measured at fair value					
Financial liabilities held at amortised cost					
Accrued expenses and other current liabilities	**2,871,207**	**-**	**-**	**2,871,207**	**2,871,207**
	2,871,207	**-**	**-**	**2,871,207**	**2,871,207**

(All amounts in Saudi Riyals unless otherwise stated)

		Fair values			
December 31, 2019	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial assets measured at fair value					
Equity instruments	42,385,594	-	22,500,000	19,885,594	42,385,594
Financial assets not measured at fair value					
Financial assets held at amortised cost					
Cash and bank balances	126,764	-	-	126,764	126,764
Short term deposits	10,251,625	-	-	10,251,625	10,251,625
Other receivables	12,575,093	-	-	12,575,093	12,575,093
	65,339,076	-	22,500,000	42,839,076	65,339,076
Financial liabilities					
Financial liabilities not measured at fair value					
Financial liabilities held at amortised cost					
Accrued expenses and other current liabilities	2,846,001	-	-	2,846,001	2,846,001
	2,846,001	-	-	2,846,001	2,846,001

The carrying values of assets and liabilities included in the above table, that are carried at amortised cost, are not materially different from their fair value. Accrued expenses and other liabilities represent contract amounts and obligations due by the Company.

17.1 Valuation techniques

The following table shows the valuation techniques used in measuring level 2 fair values.

Description	Valuation techniques	Unobservable inputs
- Information technology - MENA	- Recent market-based transaction	- Price at which transaction was executed for purchase / sale of investee company's shares

The following table shows the valuation techniques used in measuring level 3 fair values.

Description	Valuation techniques	Unobservable inputs
- Shipping - Cyprus	- Discounted cash flow	- Cost of capital, growth rate, resale value
- Real estate - United Kingdom	- Fair value of net assets	- Fair value of real estate property
- Investment banking (Islamic) - GCC	- Fair value of net assets	- Fair value of assets held at amortised cost

Inter-relationship between significant observable inputs and fair value measurement.

The estimated fair value would increase / (decrease) if there is a change in the inputs used for valuation as discussed above.

(All amounts in Saudi Riyals unless otherwise stated)

17.2 Reconciliation of level 3 financial assets measured at fair value

The following represents the movement in level 3 instruments for the year ended December 31, 2020:

	Shipping - Cyprus	Real estate - United Kingdom	Investment banking (Islamic) - GCC	Total
Opening balance	**-**	**17,478,823**	**2,406,771**	**19,885,594**
Net (losses) / gains recognised in other comprehensive income	**-**	**(2,135,166)**	**(1,883,174)**	**(4,018,340)**
Closing balance	**-**	**15,343,657**	**523,597**	**15,867,254**

The following represents the movement in level 3 instruments for the year ended December 31, 2019:

	Shipping - Cyprus	Real estate - United Kingdom	Investment banking (Islamic) - GCC	Total
Opening balance	8,529,279	15,686,956	3,885,599	28,101,834
Net (losses) / gains recognised in other comprehensive income	-	1,791,867	(1,478,828)	313,039
Investment written off	(8,529,279)	-	-	(8,529,279)
Closing balance	-	17,478,823	2,406,771	19,885,594

The following represents the distributions of financial assets measured at fair value in various industry segments:

	December 31, 2020	December 31, 2019
Real estate	**15,343,657**	17,478,823
Investment banking	**523,597**	2,406,771
Information technology	**-**	22,500,000
Total	**15,867,254**	42,385,594

17.3 Transfers between level 1 and 2

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

18. Financial instruments by category

All financial assets and financial liabilities for the years ended December 31, 2020 and 2019, are classified under amortized cost category except for investments held at FVOCI, which are classified and measured at fair value.

	Measurement category	December 31, 2020	December 31, 2019
Financial assets			
Cash and bank balances	Amortised cost	**2,153,656**	126,764
Short term deposits	Amortised cost	**25,447,564**	10,251,625
Other receivables	Amortised cost	**11,548,751**	12,575,093
Investments at fair value	FVOCI	**15,867,254**	42,385,594
Total financial assets		**55,017,225**	65,339,076
Financial liabilities			
Accrued expenses and other current liabilities	Amortised cost	**2,871,207**	2,846,001
Total financial liabilities		**2,871,207**	2,846,001

19. Significant events during the year

The Board of Directors of the Company on March 4, 2020 resolved to decrease the share capital of the Company to absorb its losses by SAR 38.87 million bringing down the percentage of accumulated losses to share capital to 25.4% as at December 31, 2019 in order to comply with the requirements of Article 150 of the Regulations for Companies. The General Assembly meeting held on March 15, 2020 also approved the proposed decrease in share capital of the Company. The Company has updated its By-laws and commercial registration to reflect this change.

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

At this stage, the impact on the Company's business has not been significant and based on experience to date, the management expects this to remain the case. The management will continue to follow the Government policies and advice and, in parallel, will do its utmost to continue the Company's operations in the best and safest way possible without jeopardising the health of its employees.

20. Events after the reporting date

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