ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

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

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

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FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Alinma Investment Company
(A Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

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

In our opinion, the accompanying financial statements 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements 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 opinion.

Responsibilities of the Company's 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 endorsed by SOCPA, and the Regulations for Companies and the Company's Articles of Association, 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, the Company's 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 the Company's management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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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 ISAs that are endorsed in 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 ISAs 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 Company's management.

- Conclude on the appropriateness of Company'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 Dr. Mohamed Al-Amri & Co.

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت: ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on 17 Sha'ban 1442 (H)
Corresponding to: 30 March 2021 (G)

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	5	**94,249**	429,224
Trade and other receivables	6	**1,001,618**	577,198
Investments at fair value through profit or loss - FVTPL	7	**30,489**	12,661
Prepayments		**2,437**	2,801
		1,128,793	1,021,884
Non-current assets			
Investments at fair value through profit or loss - FVTPL	7	**431,897**	317,619
Investments at fair value through other comprehensive income - FVOCI	8	**32,655**	23,612
Investment at amortized cost		**4,891**	-
Tangible assets	9	**13,519**	12,953
Intangible assets	10	**7,797**	9,287
		490,759	363,471
TOTAL ASSETS		**1,619,552**	1,385,355
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Current liabilities			
Short term financing	12	**-**	100,633
Accrued expenses and other liabilities	13	**115,771**	114,507
Lease liabilities	14	**10,359**	11,102
Provision for zakat	15	**37,078**	26,687
		163,208	252,929
Non-current liability			
End of service benefits	16	**19,762**	16,754
TOTAL LIABILITIES		**182,970**	269,683
SHAREHOLDER'S EQUITY			
Share capital	17	**250,000**	250,000
Share capital under registration		**250,000**	-
Statutory reserve		**123,539**	91,352
Retained earnings		**813,033**	773,354
Fair value reserve - FVOCI		**(24)**	(27)
Reserve on re-measurement of employee end of service benefits		**34**	993
TOTAL SHAREHOLDER'S EQUITY		**1,436,582**	1,115,672
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,619,552**	1,385,355

The accompanying notes from 1 to 25 are an integral part of these financial statements

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
INCOME			
Revenue	18	**459,147**	342,327
Net gain from investments at FVTPL	7.1	**7,782**	22,809
Income from investments at FVOCI		**1,690**	1,629
Other income		**12,924**	7,318
TOTAL INCOME		**481,543**	374,083
OPERATING EXPENSES			
Salaries and employees related expenses		**(78,726)**	(71,710)
Rent and premises expenses		**(1,395)**	(2,168)
Financing expenses		**(2,069)**	(7,423)
Depreciation and amortization expense		**(5,419)**	(5,064)
General and administrative expenses	19	**(20,046)**	(22,225)
TOTAL OPERATING EXPENSES		**(107,655)**	(108,590)
Operating profit		**373,888**	265,493
Provision for expected credit loss (allowance) / reversal		**(14,259)**	1,137
Profit before zakat		**359,629**	266,630
Zakat charge	15	**(37,763)**	(26,687)
Profit for the year		**321,866**	239,943

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
PROFIT FOR THE YEAR		**321,866**	239,943
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss:			
Fair value gain on investments held at FVOCI	8.1	**3**	5
Re-measurement (loss) / gain on end of service benefits	16.1	**(959)**	114
Other comprehensive income for the year		**(956)**	119
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**320,910**	240,062

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Share capital	Share capital under registration	Statutory reserve	Retained earnings	Fair value reserve - FVOCI	Reserve on re-measurement of end of service benefits	Total
1 January 2019	250,000	-	67,358	557,405	(32)	879	875,610
Profit for the year		-	-	239,943	-	-	239,943
Other comprehensive income for the year	-	-	-	-	5	114	119
Total comprehensive income for the year	-	-	-	239,943	5	114	240,062
Transfer to statutory reserve		-	23,994	(23,994)	-	-	-
31 December 2019	**250,000**	**-**	**91,352**	**773,354**	**(27)**	**993**	**1,115,672**
Profit for the year		**-**	-	**321,866**	**-**	**-**	**321,866**
Other comprehensive income / (loss) for the year	-	**-**	-	**-**	**3**	**(959)**	**(956)**
Total comprehensive income for the year	-	**-**	-	**321,866**	**3**	**(959)**	**320,910**
	-						
Transfer to statutory reserve	-	**-**	**32,187**	**(32,187)**	**-**	**-**	**-**
Share capital under registration (Note 17)	-	**250,000**	**-**	**(250,000)**	**-**	**-**	**-**
31 December 2020	**250,000**	**250,000**	**123,539**	**813,033**	**(24)**	**34**	**1,436,582**

The accompanying notes from 1 to 25 are an integral part of these financial statements

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before zakat		**359,629**	266,630
Adjustments:			
Depreciation and amortization expense	9 & 10	**5,419**	5,062
Net gain on investments at fair value through profit or loss	7.1	**(7,782)**	(14,720)
Net gain on investments at fair value through other comprehensive income		**(1,690)**	(1,683)
Provision for employees' end of service benefits	16.1	**3,779**	3,453
Expected credit loss allowance / (reversal)		**14,259**	(1,137)
		373,614	257,605
Changes in operating assets and liabilities:			
Trade and other receivables		**(438,679)**	130,386
Prepayments		**364**	1,017
Accrued expenses and other liabilities		**1,264**	(5,239)
Cash (used in) / generated from operations		**(63,437)**	383,769
End of service benefits paid	16.1	**(1,730)**	(365)
Zakat paid	15	**(27,372)**	(6,116)
Net cash (used in) / generated from operating activities		**(92,539)**	377,288
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to investments at FVTPL		**(124,324)**	(61,447)
Additions to investments at FVOCI	8.1	**(7,350)**	13,257
Investment at amortized cost		**(4,891)**	-
Lease payments		**(1,663)**	(1,580)
Additions to tangible assets and intangible assets		**(3,575)**	(6,143)
Net cash used in investing activities		**(141,803)**	(55,913)
CASH FLOW FROM FINANCING ACTIVITIES			
Financing from related party, net		**(100,633)**	(151,511)
Net cash used in financing activities		**(100,633)**	(151,511)
Net change in cash and cash equivalents		**(334,975)**	169,864
Cash and cash equivalents at beginning of the year		**429,224**	259,360
Cash and cash equivalents at end of the year	5	**94,249**	429,224

The accompanying notes from 1 to 25 are an integral part of these financial statements

1. GENERAL

Alinma Investment Company (the "Company") is a Saudi Closed Joint Stock Company established pursuant to ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009G). The Company is a wholly owned subsidiary of Alinma Bank, a Saudi Joint Stock Company (the “Parent Company”) which is also the ultimate controlling party of the Company.

The principal activities of the Company are to deal as principal, agent, managing, arranging, advising and custody as licensed by the Capital Market Authority ("CMA") under license number 09134-37 dated 23 Rabi Thani 1430H (corresponding to 19 April 2009).

The Company's registered office is located at:
Al-Anoud Tower, Building No. 2
King Fahad Road
P.O. Box 66333 Riyadh 11576
Kingdom of Saudi Arabia

The Company commenced providing investment services pursuant to commencement letter issued by CMA dated 2 Safar 1431H (corresponding to 17 January 2010G).

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread all regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

Government implemented protective measures in Kingdom of Saudi Arabia during March 2020 to encounter the spread of Covid-19 and these measures are still operative in entire Kingdom. As per the management’s assessment the Company’s operations have not been affected due to the Covid – 19.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

b) Basis of measurement

These financial statements have been prepared on historical cost basis and on a going concern concept, except for the following items (refer to individual accounting policies for details):

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Employee’s end of service benefits which are measured at present value of future obligations using projected unit credit method

c) Functional and presentation currency

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

d) Financial year

The financial year of the Company commences on 1st January and ends on 31st December of each Gregorian calendar year.

e) Use of critical estimates and judgment

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Useful lives, residual values, and depreciation method of property and equipment

The Company's management determines the estimated useful lives for property and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values, and depreciation method of property and equipment annually. Future depreciation expense would be adjusted where management believes that useful lives, residual values, and depreciation method differ from those used in previous years.

Amortization of intangible assets

The Company's management determines the estimated useful lives of intangible assets annually. Intangible assets with infinite useful lives are checked annually for impairment. Amortization is reviewed annually and adjusted where management believes that future estimates will differ from those used in previous years.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits and losses and/or cash flows.

Impairment of non-financial assets

The Company's management periodically reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognized in the statement of profit or loss.

Impairment losses on trade and other receivables

The Company measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit loss (ECL). The allowance for ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

End of service benefits

The liabilities relating to defined benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of annual reporting year. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 16 to these financial statements.

Recognition and measurement of provisions

By their nature, the measurement of provisions depends upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Company's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, considering legal advice and other information available.

Leases

The determination of lease term for some lease contracts in which the company is a lessee, including whether the Company is reasonably certain to exercise lessee options and the determination of incremental borrowing rate used to measure the lease liabilities.

f) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced 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).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23 of these financial statements.

3. APPLICATION OF NEW AND REVISED STANDARDS

3.1. New standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020 but they had no material impact on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 1: Presentation of Financial Statements- Amendments regarding the definition of materiality

Amendments to its definition of material to make it easier for companies to make materiality judgements. The materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

The amendments are intended to make the definition of material easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

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.

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 significant impact on the financial statements of the Company.

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 significant impact on the financial statements of the Company.

3.2. Standards issued but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reforms – Phase 2 – 1 January 2021;
IAS 37: Provisions, Contingent Liabilities and Contingent Assets- Amendments regarding the costs to include when assessing whether a contract is onerous – I January 2022;
IAS 16: Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use – I January 2022;
Annual Improvements to IFRS Standards 2018-2020 – 1 January 2022;
IAS1: Presentation of Financial Statements - Amendments regarding the classification of liabilities – 1 January 2023; and
IFRS 9: Amendments regarding the interaction of IFRS 4 and IFRS 9 – 1 January 2023.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

The Company is yet to assess the impact of the above amendments in its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Changes in significant accounting policies

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Effective from 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021; and

(c) There are is no substantive change to other terms and conditions of the lease.

Amendments to IFRS 16: COVID-19-Related Rent Concessions (continued)

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The Company, being a lessee, did not receive any rent concession during the period and accordingly is not affected by this amendment.

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

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments with original maturities of three months or less from the date of purchase which are available to the Company without any restriction.

c) Trade receivables

Trade and other receivables are initially recorded at fair value plus transaction costs. The fair value on acquisition is normally the transaction price. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method, less any impairment.

d) Portfolio financing receivables

Portfolio financing represent Shariah compliant products in the form of Murabaha agreements which are stated at amortized cost less allowance for credit losses.

Portfolio financing receivables are initially recognized when underlying asset is transferred to customers. They are derecognized when customers repay their obligations. The Company in the ordinary course of business holds shares as collateral to mitigate credit risk on such receivables.

e) Financial Instruments

i. Recognition and de-recognition

Trade date accounting
All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date of on which the Company becomes a party to the contractual provision of the instrument). Regular way purchases or sales of the financial instruments require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Company becomes a party to the contractual provision in the market place.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

ii. Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost.
- fair value through profit or loss (FVTPL).
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All financial assets are initially measured at fair value adjusted for transaction costs, except for financial assets at FVTPL.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

i. Classification

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortized cost;

- Fair value through other comprehensive income ("FVOCI") – debt investment;

- FVOCI – equity investment; or

- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

Financial assets *(continued)*

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ii. Measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss as incurred.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other, net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other, net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii. Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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, without recourse by the Company to actions such as realizing security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum year considered when estimating ECLs is the maximum contractual year over which the Company is exposed to credit risk.

Impairment of financial assets *(continued)*

Financial assets at fair value through other comprehensive income (FVOCI)

The Company recognizes 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

iv. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

v. Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset.

When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognized using the original EIR.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The financial liabilities are classified in the following measurement categories:

a) Those to be measured as financial liabilities at fair value through profit or loss, and
b) Those to be measured at amortized cost.

Measurement

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate (“EIR”) method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate year. The effective interest rate is the rate that exactly discounts estimated future cash outflow (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 debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

The Company’s financial liabilities include trade and other payables, borrowings from related parties and accrued referral fees payable to Parent Company. The Company measures financial liabilities at amortized cost.

Offsetting financial instruments

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

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

f) Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses is and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities 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 a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of 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.

g) Tangible and intangible assets

The Company applies the following estimated useful lives of tangible and intangible assets:

Asset Category	**Life (years)**
Furniture and fixtures	5
Computer hardware	3 - 10
Office equipment	5
Computer software	5
Core banking and infrastructure	10

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is charged to the statement of income, using the straight-line method, to allocate the costs of the related assets to their residual values over the estimated useful lives.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of profit or loss.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of income as and when incurred, Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Intangible assets

An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset.

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units ("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.

A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

h) Zakat

Zakat is provided for in the financial statements in accordance with Saudi General Authority of Zakat and Tax ("GAZT") laws and regulations. Zakat is charged to the statement of profit or loss. Additional zakat liabilities, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

As the Company is a wholly owned subsidiary of Alinma Bank ("Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is being filed by the Bank from year ended 31 December 2011 with the General Authority for Zakat and Tax (the "GAZT").

i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

j) Employee benefits

Short-term employee benefits

Liabilities for salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

***End of service benefits** (continued)*

The Company has end of service benefits which qualify as defined benefit plans. The employees are entitled for benefits based on length of service and last drawn salary, and computed in accordance with the provisions of the Saudi Arabian Labor and Workmen Law and the Company policy.

The liability for end of service benefits, being an unfunded plan, is determined using projected credit unit method with actuarial valuations being conducted at end of annual reporting years. The related liability recognized in statement of financial position is the present value of the end of service benefits obligation at the end of the reporting year.

The discount rate applied in arriving at the present value of the defined benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits are categorized as follows:

- Current service cost (increase in the present value of obligation resulting from employee service in the current year).
- Interest expense (calculated by applying the discount rate at the beginning of the year to the end of service benefits liability); and
- Re-measurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of income as the related compensation cost.

Re-measurement, comprising actuarial gains and losses, is recognized in full in the year in which they occur, in other comprehensive income without recycling to the profit or loss in subsequent year. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

k) General and administrative expenses

Expenses are measured and recognized as a year cost at the time when they are incurred. Expenses related to more than one financial year are allocated over such years proportionately. All expenses, excluding direct costs are classified as general and administration expenses.

l) Assets held under fiduciary capacity

Assets under management:

The Company offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

Clients' cash accounts:

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

m) Revenue recognition

- Brokerage commission is recognized when the deal is executed. Brokerage commission on local shares is recognized net of Tadawul commission and rebates allowed to the customers.
- Fee from managing assets (including mutual funds) is recognized over time as the services are rendered.
- Subscription fee is recognized upon subscription to the fund. These fees are recognized net of related expenses.
- Fee from investment banking services is recognized when the related services have been delivered to the customer, net of related expenses.
- Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.
- Income from margin financing facilities is recognized over the year of contract using effective interest rate.
- Custody fee is received upfront and amortized over the year of the service (deferred income).

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

Revenue recognition *(continued)*

- Dividend from investments is recognized when earned or publically declared by the investee, and is presented together with net gain or loss on investments at fair value through profit and loss.
- Finance lease income is recognized over the term of the lease using the effective yield method.

n) Foreign currency translations

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translations of foreign currency transactions are included in the statement of profit or loss.

o) Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

p) Statutory reserve

Under the Company's By-Laws and the Companies Law the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

5. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at bank – current account (note 11)	**88,708**	329,234
Cash in investment account	**5,560**	-
Murabaha deposits with banks - original maturities of three months or less	**-**	100,000
	94,268	429,234
Less: Allowance for expected credit losses	**(19)**	(10)
	94,249	429,224

The effective commission rate on Murabaha deposits as at 31 December 2020 is nil (31 December 2019 is 2.5%).

6. TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Portfolio financing receivables	**682,120**	374,227
Asset management fee receivables	**270,566**	146,736
Other trade receivables	**60,202**	52,429
Trade receivables - gross	**1,012,888**	573,392
Less: Allowance for expected credit losses	**(14,974)**	(724)
Trade receivables – net	**997,914**	572,668
Due from a related party	**2,194**	2,076
Other receivables	**1,510**	2,454
	1,001,618	577,198

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

TRADE AND OTHER RECEIVABLES *(continued)*

The Company extends portfolio financing facilities to its customers to invest in the Saudi Stock Exchange and investment funds. These facilities represent Shariah compliant Murabaha financing which are collateralized by underlying equities and cash held in customer investment account amounting to Saudi Riyals million 1,275 million as at 31 December 2020 (2019: Saudi Riyals 975 million). These facilities are extended up to a maximum year of three years and bear fixed commission rates.

The movement in allowance for expected credit losses ("ECL") during the year is as follows:

	31 December 2020	31 December 2019
As at 1 January	**724**	1,676
ECL allowance / (reversal) during the year	**14,250**	(952)
As at 31 December	**14,974**	724

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Current		
Listed equity shares (a)	**30,489**	12,661
Non-current		
Public managed funds (b)	**58,459**	27,402
Private managed funds (c)	**277,545**	239,597
Others (d)	**95,893**	50,620
	431,897	317,619
	462,386	330,280

The geographical dispersion of above investments in financial instruments classified at fair value through profit or loss is within the Kingdom of Saudi Arabia except for SR 51.1 million which are invested outside Kingdom of Saudi Arabia.

(a) Fair value of these listed equity shares is determined by reference to published traded price at the close of the last business day of the year quoted in active market.

(b) Investment in these funds are valued at latest available net assets value (NAV). The Company is the fund manager for these funds.

(c) The Company has invested in private funds. Investment in these private funds are valued using the latest available net assets value (NAV) of the respective funds as of the reporting date. The NAV is calculated with reference to fair value of underlying assets and takes into consideration number of factors, including area and the type of the property and valuation techniques using significant unobservable inputs, including financial and fragmentation plot analysis, market comparison model, residual value method, among others.

The Company is the fund manager for these funds.

(d) Others include the investment in the funds and private equities which are valued at latest available net assets value (NAV) and in listed equities which are valued at year end quoted price in active market.

7.1. NET INCOME FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Realized gain on sale of investments at fair value through profit or loss, net	**1,485**	1,683
Unrealized gain on investments at fair value through profit or loss, net	**3,101**	14,720
Dividend income	**3,196**	6,406
	7,782	22,809

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020	31 December 2019
i) Sukuk (note 8.1)	**32,653**	23,610
ii) Equity investment	**2**	2
	32,655	23,612

8.1. Financial assets at fair value through other comprehensive income – designated at initial recognition

The Company has elected to classify these debt investments irrevocably as designated at fair value through other comprehensive income. These investments are carried at fair value estimated using observable inputs from market sources.

	31 December 2020	31 December 2019
Debt instruments – Sukuk		
As at 1 January	**23,610**	36,862
Addition	**26,000**	-
Disposals	**(16,960)**	(13,257)
Change in fair value recognized in other comprehensive income	**3**	5
As at 31 December	**32,653**	23,610

9. TANGIBLE ASSETS

	Furniture and fixtures	**Computer hardware**	**Office equipment**	**Right-of-use-asset**	**Capital work in progress**	**Total**
Cost						
1 January 2020	5,586	270	388	12,682	180	19,106
Additions	**1,455**	**166**	**52**	**920**	**755**	**3,348**
31 December 2020	**7,041**	**436**	**440**	**13,602**	**935**	**22,454**
Accumulated depreciation						
1 January 2020	3,966	142	338	1,707	-	6,153
Additions	**802**	**68**	**33**	**1,879**	**-**	**2,782**
31 December 2020	**4,768**	**210**	**371**	**3,586**	**-**	**8,935**
Net book value						
31 December 2020	**2,273**	**226**	**69**	**10,016**	**935**	**13,519**

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

TANGIBLE ASSETS (continued)

	Furniture and fixtures	Computer hardware	Office equipment	Right-of-use-asset	Capital work in progress	Total
Cost						
1 January 2019	5,107	208	370	-	49	5,734
Additions	479	62	18	12,682	180	13,421
Capitalize cost charged to expenses	-	-	-	-	(49)	(49)
31 December 2019	5,586	270	388	12,682	180	19,106
Accumulated depreciation						
1 January 2019	2,706	90	261	-	-	3,057
Additions	1,260	52	77	1,707	-	3,096
31 December 2019	3,966	142	338	1,707	-	6,153
Net book value						
31 December 2019	1,620	128	50	10,975	180	12,953

10. INTANGIBLE ASSETS

	31 December 2020	31 December 2019
	Computer software	
Cost:		
As at 1 January	**13,303**	7,850
Additions	**1,146**	5,453
As at 31 December	**14,449**	13,303
Accumulated amortization:		
As at 1 January	**4,016**	2,050
Amortization charge	**2,637**	1,966
As at 31 December	**6,653**	4,016
Net Book Value:		
As at 31 December	**7,797**	9,287

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its Parent Company, funds managed by the Company, executive members of Company's board of directors, key management personnel and companies of which these related parties are principal owners. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Key management personnel transactions
Compensation of the Company's key management personnel includes salaries and non-cash benefits as follows:

	31 December 2020	31 December 2019
Short-term employee benefits		
Margin lending	**1,640**	-
Salaries including allowances and bonuses	**9,291**	8,985

Other related parties' transactions and balances

Related party	**Nature of transaction**	**31 December 2020**	31 December 2019
	Revenue		
Funds managed by the Company	Asset management fees, gross	**305,444**	263,873
	Admin fee	**12,490**	3,012
	Custodian service income	**901**	1,035
	Income on DPM / Wakala management	**940**	780
	Income on Murabaha	**26**	-
	Brokerage income	**2,040**	2,479
Parent Company	Referral fee for brokerage income	**(7,995)**	(2,687)
	Referral fee for asset management income	**(21,102)**	(12,000)
	Expenses		
	Administrative charges	**(1,395)**	(2,168)
	Board allowance	**(1,436)**	(1,175)

Balances with related parties included in the statement of financial position are as follows:

Item	**Relationship**	**31 December 2020**	31 December 2019
Cash and cash equivalents -Current accounts	Parent Company (note 5)	**88,708**	329,234
Accrued fee	Parent Company (note 13)	**26,750**	16,702
Asset management fee received in advance	Private Funds (note 13)	**48,168**	71,911
Investments at fair value through profit or loss - funds managed by the Company	Public Funds (note 7)	**58,459**	27,402
	Private Funds (note 7)	**277,545**	239,597
Trade and other receivables	Other related parties (note 6)	**2,194**	2,076
Due to related parties - short term financing	Alinma Saudi Riyal Liquidity Fund (note 12)	**-**	(100,633)

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

12. SHORT TERM FINANCING

	31 December 2020	31 December 2019
Short term financing - Wakala (a)	**-**	100,633

a) The Company has an agreement with Alinma Liquidity Fund, a Fund managed by the Company whereby the Company has obtained a short-term financing which is repayable within one year of contractual maturity.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2020	31 December 2019
Accrued fee (a)	**26,750**	16,702
Employees related accruals	**19,899**	15,524
Asset management fee received in advance (b)	**48,168**	71,911
VAT payable	**2,385**	2,311
Others	**18,569**	8,059
	115,771	114,507

a) Accrued fee includes referral fee payable to the Parent Company as detailed in note 11.

b) Asset management fee received in advance represents unamortized asset management fee received from Private Funds Managed by the Company according to advance payment terms with them. This fee will be earned in coming years.

14. LEASE LIABILITIES

	31 December 2020	31 December 2019
As at 1 January	**11,102**	-
Additions	**920**	12,682
Interest expense	**658**	533
Lease payments	**(2,321)**	(2,113)
As at 31 December	**10,359**	11,102

15. ZAKAT

Movement in provision during the year

	31 December 2020	31 December 2019
As at 1 January	**26,687**	6,116
Zakat expense		
Zakat provision for the year	**37,078**	26,687
Prior year adjustment	**685**	-
	37,763	26,687
Zakat paid	**(27,372)**	(6,116)
As at 31 December	**37,078**	26,687

Status of assessments

The Company is a wholly owned subsidiary of Alinma Bank ("Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is filed by the Bank from year ended 31 December 2011 with the General Authority for Zakat and Tax (the "GAZT").

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

16. END OF SERVICE BENEFITS

The Company has an unfunded plan for defined benefit obligation of end of service benefits. Cash generated by operations are considered sufficient to meet these obligations as they become due.

16.1 Movements in defined benefit obligation

	31 December 2020	31 December 2019
Defined benefit obligation		
As at 1 January	**16,754**	13,780
Amount recognized as expense for the year		
Current service cost	**3,266**	2,746
Interest cost	**513**	707
Expense for the year	**3,779**	3,453
Benefits paid	**(1,730)**	(365)
Amount recognized in other comprehensive income		
Re-measurement of end of service benefits recognized in other comprehensive income	**959**	(114)
As at 31 December	**19,762**	16,754

16.2 Significant assumptions

The significant assumptions used in determining defined benefit obligations for the year ended are as follows:

	31 December 2020	31 December 2019
Discount rate	**3.23%**	5.20%
Long term salary increase	**2.55%**	3.03%

16.3 Sensitivity analysis

	31 December 2020	31 December 2019
Discount rate + 100 bps	**17,688**	15,296
Discount rate – 100 bps	**22,209**	18,467
Long term salary increases + 100 bps	**22,282**	18,534
Long term salary increases – 100 bps	**17,590**	15,214

17. SHARE CAPITAL

The Company's authorized share capital consists of 100 million shares (31 December 2019: 100 million shares) of Saudi Riyals 10 each. As at 31 December 2020, 25 million shares (31 December 2019: 25 million shares) of Saudi Riyals 10 each have been fully paid up.

On 30 November 2020, the Company's board of directors resolved to increase the Company's share capital from SR 250 million to SR 500 million. On 17 March 2021 the Company has received the necessary approvals for increase in share capital.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

18. REVENUE

Disaggregation of revenue by major service category		**31 December 2020**	31 December 2019
Asset Management fee income - net		**284,342**	251,872
Brokerage commission income		**102,194**	38,107
Custody fee income		**8,347**	7,128
Investment banking fee income		**8,456**	1,740
Income from Murabaha Wakala services		**30,006**	23,723
	a & b	**433,345**	322,570
Income from margin lending		**25,802**	19,757
		459,147	342,327

a) **Disaggregation of revenue by customer type**	**31 December 2020**	31 December 2019
Related parties (note 11)	**288,249**	253,479
Corporates	**15,901**	8,868
Others	**129,195**	60,223
	433,345	322,570

b) **Disaggregation of revenue by recognition principle**	**31 December 2020**	31 December 2019
Recognized at point in time	**110,650**	39,847
Recognized over time	**322,695**	282,723
	433,345	322,570

19. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020	31 December 2019
IT maintenance and support expenses	**11,978**	13,443
Board remuneration	**1,436**	1,175
Administrative charges	**1,740**	549
Professional fees	**2,040**	2,720
Advertisement	**1,674**	1,917
Other expenses	**1,178**	2,421
	20,046	22,225

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

20. ASSETS HELD UNDER FIDUCIARY CAPACITY

Assets under management

These represent the mutual funds' assets and investments managed by the Company on behalf of its customers, which amount to SR 65,395 million as at 31 December 2020 (31 December 2019: SR 55,359 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

Clients' cash accounts

Pursuant to the CMA's Authorized Persons Regulations requiring Client money segregation, the Company holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities.

The Company is holding clients' cash accounts, which amounts to SR 2,864 million as at 31 December 2020 (31 December 2019: 2,063 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

21. REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012G (Corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum capital requirement and its calculation methodology. Company's objectives when managing capital are to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2020	31 December 2019
Capital base:		
Tier I Capital	**1,177,815**	1,106,385
Tier II Capital	**-**	-
Total Capital Base	**1,177,815**	1,115,672
Minimum Capital Requirement:		
Market Risk	**7,272**	3,741
Credit Risk	**520,023**	321,203
Operational Risk	**60,283**	52,971
Total Minimum Capital Required	**587,578**	377,915
Capital adequacy ratio:		
Surplus in Capital	**590,237**	728,470
Total Capital Ratio (times)	**2.00**	2.93

a) The current and comparative information has been extracted from the Company's annual Capital Adequacy Model ("CAM") for 31 December 2020 and 31 December 2019, respectively, submitted to CMA. In 2020 the Company has submitted revised annual CAM report for the year ended 31 December 2019 after the approval of the financial statements, hence the comparative CAM figures are restated as per revised report.

b) Capital Base of the Company comprise of:

- **Tier-I capital** consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves, with certain deductions as per the Rules.
- **Tier-II capital** consists of revaluation reserves with certain deductions as per the Rules.

The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingent liabilities of the Company as of 31 December 2020 and 31 December 2019.

Commitments

The Company has lease contracts for office space and parking lot. As at 31 December 2020 and 31 December 2019 the Company has no non-cancellable lease arrangements.

23. FINANCIAL INSTRUMENTS RISK

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, portfolio financing receivables and certain other assets. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial assets and financial liabilities are offset and net amounts are reported in the financial statements, when the Company has legally enforceable right to off-set the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The most significant financial risks to which the Company is exposed are described below.

Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Except for the investment in a foreign private equity fund, the Company's does not have any other significant foreign currency exposure as transactions are principally carried out in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified year. Management monitors the market changes in commission rates on regular basis to minimize commission rate risk.

Fair value risk

The Company is exposed to market risk with respect to its investments. The Company limits market risks by diversification of its investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the equity and debt market movements are monitored including analysis of the operational and financial performance of investees.

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.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FINANCIAL INSTRUMENTS RISK *(continued)*

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.
The Company is exposed to credit risk on its cash at bank, portfolio financing receivables, asset management fee receivables, investment banking fee receivables. The credit risk against bank is generally managed on the basis of external credit grading of the bank. The Company's management seeks to limit its credit risk by monitoring credit exposures asset management fee receivables from the funds managed by it and does not consider itself exposed to significant credit risk in respect of these balances because of having a priority as creditor over the unit holders of the fund.
The Company requires collateral from clients against portfolio financing which is monitored for market value of the collateral held in customer accounts under fiduciary asset. For other financial assets credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

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

	31 December 2020	31 December 2019
Rated at least BBB+		
Cash and cash equivalents	**94,268**	429,234
Unrated		
Secured		
Portfolio financing receivable	**682,120**	374,227
Investment banking receivables	**25,931**	35,931
Asset management fee receivable from funds managed by the Company	**270,566**	146,736
Unsecured		
Financial assets at fair value through profit or loss	**462,881**	330,280
Financial assets at fair value through other comprehensive income	**32,655**	23,612
Investment banking receivables	**2,204**	1,519
Custody fee receivables	**9,134**	5,671
Discretionary portfolio management / Wakala receivable	**10,517**	5,335
Accrued profit on Sukuk	**180**	71
Due from a related party	**2,194**	2,076
Staff loan	**1,510**	2,454
Other trade receivables	**10,885**	3,575
Total exposure to credit risk	**1,605,045**	1,360,721

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FINANCIAL INSTRUMENTS RISK *(continued)*

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 also result from the 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 current and future financial commitments as and when they fall due. As at 31 December 2020 and 2019, all financial liabilities were current in nature, except for lease liabilities for which the liquidity profile is presented below:

	Up to 1 year	1 year to 5 years	Over 5 years	Total
Lease liabilities				
As at 31 December 2020	**1,795**	**6,839**	**1,725**	**10,359**
As at 31 December 2019	1,470	7,056	2,576	11,102

Classification of financial instruments

	31 December 2020	31 December 2019
Financial assets as per statement of financial position		
Financial assets at amortized cost		
Cash and cash equivalents	**93,754**	429,224
Portfolio financing receivables	**682,120**	374,227
Asset management fee receivables	**270,566**	146,736
Investment banking fee receivables	**28,135**	37,450
Custody fee receivables	**9,134**	5,671
Other receivables	**22,931**	9,307
Financial asset at fair value through profit or loss		
Listed equities	**30,984**	12,661
Public managed funds	**58,459**	27,402
Private managed funds	**277,545**	239,597
Others	**95,893**	50,620
Financial assets at fair value through other comprehensive income		
Sukuk	**32,653**	23,610
Others	**2**	2

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Company's financial assets and liabilities consist of cash and cash equivalents, investments, portfolio financing receivables and certain other assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Trading investments are carried at fair value.

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within 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).

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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

	Level 1	Level 2	Level 3	Total
Financial assets				
31 December 2020				
Fair value through profit or loss	**30,984**	**431,897**	**-**	**462,881**
Fair value through other comprehensive income	**-**	**32,533**	**-**	**32,533**
31 December 2019				
Fair value through profit or loss	12,661	317,619	-	330,280
Fair value through other comprehensive income	-	23,612	-	23,612

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company’s board of directors on 16 Sha’ban 1442H (corresponding to 29 March 2021G).