MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent auditor's report

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
Financial Statements and Independent Auditor's Report
For the year ended 31 December 2021

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٦٧٨٢٩
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the Shareholders of Merak Capital Company

Opinion

We have audited the financial statements of **Merak Capital Company** ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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 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 financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those Charged with Governance, the Board of Directors are responsible for overseeing the Company's financial reporting process.

KPMG

Independent auditor's report

To the Shareholders of Merak Capital Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

KPMG Professional Services

كي . بي . إم . جي للاستشارات المهنية
Lic No. 46
C.R. 1010425494
R : 1.
KPMG
ترخيص رقم ٤٦
س.ت: ١٠١٠٤٢٥٤٩٤
KPMG Professional Services

Fahad Mubark Al Dossari
License No: 469

Riyadh , 30 March 2022
Corresponding to 27 Sha'ban 1443H

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As of 31 December 2021
(Saudi Arabian Riyals)

	Note	**31 December 2021**	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	*(5)*	**1,813,155**	251,285
Prepayments and other current assets	*(6)*	**1,952,225**	851,260
Trade receivables	*(7)*	**201,250**	57,500
Shares convertible into an equity instrument	*(8)*	**-**	1,501,000
Total current assets		**3,966,630**	2,661,045
Non-current assets			
Fixed Assets	*(9)*	**766,855**	316,800
Right of use assets	*(10)*	**1,572,276**	-
Investment carried at fair value through profit or loss	*(11)*	**215,253**	-
Total non-current assets		**2,554,384**	316,800
TOTAL ASSETS		**6,521,014**	2,977,845
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		**289,068**	42,705
Accrued expenses and other liabilities		**30,000**	58,640
Lease liability	*(10)*	**309,857**	-
Provision for zakat	*(12)*	**71,312**	67,176
Total current liabilities		**700,237**	168,521
Non-current liabilities			
Lease liability	*(10)*	**1,279,636**	-
Employee benefits	*(13)*	**103,413**	35,411
Total non-current liabilities		**1,383,049**	35,411
Total liabilities		**2,083,286**	203,932
Equity			
Share capital	*(1.1)*	**6,000,000**	5,000,000
Accumulated losses		**(1,562,272)**	(2,226,087)
TOTAL EQUITY		**4,437,728**	2,773,913
TOTAL LIABILITIES AND EQUITY		**6,521,014**	2,977,845

The accompanying notes (1) through (21) form an integral part of these financial statements.

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Saudi Arabian Riyals)

	Note	**31 December 2021**	31 December 2020
Revenue	*(14)*	**4,849,494**	220,693
Cost of revenue		**(162,968)**	(54,955)
Gross profit		**4,686,526**	165,738
Operating expenses			
General and administrative expenses	*(15)*	**(3,948,990)**	(1,739,870)
Marketing and advertising expenses		**(13,709)**	(700)
Special commission expense	*(10)*	**(67,240)**	-
Other Income		**6,580**	1,000
Unrealized gain on financial assets at FVTPL	*(11)*	**71,960**	-
Profit/(loss) before zakat		**735,127**	(1,573,832)
Zakat expense	*(12)*	**(71,312)**	(67,176)
Net Profit/(Loss) for the year		**663,815**	(1,641,008)
Other comprehensive income for the year		**--**	--
Total other comprehensive income for the year		**--**	--
Total comprehensive income/(loss) for the year		**663,815**	(1,641,008)

The accompanying notes (1) through (21) form an integral part of these financial statements.

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Saudi Arabian Riyals)

	Share capital	Accumulated losses	Total
Balance as of 1 January 2020	5,000,000	(585,079)	4,414,921
Net loss for the year	-	(1,641,008)	(1,641,008)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(1,641,008)	(1,641,008)
Balance as of 31 December 2020	5,000,000	(2,226,087)	2,773,913
Balance as of 01 January 2021	**5,000,000**	**(2,226,087)**	**2,773,913**
Shares issued during the year	**1,000,000**	**-**	**1,000,000**
Net profit for the year	**-**	**663,815**	**663,815**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**663,815**	**663,815**
Balance as of 31 December 2021	**6,000,000**	**(1,562,272)**	**4,437,728**

The accompanying notes (1) through (21) form an integral part of these financial statements.

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Saudi Arabian Riyals)

	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Profit/(loss) before zakat		**735,127**	(1,573,832)
Adjustments for:			
Depreciation for fixed assets	*(9)*	**119,858**	-
Depreciation for Right of use assets	*(10)*	**405,177**	-
Special commission expense	*(10)*	**67,240**	-
Employee benefits	*(13)*	**68,002**	35,411
Unrealized gain on financial assets at FVTPL	*(11)*	**(71,960)**	-
		1,323,444	(1,538,421)
Changes in operating assets and liabilities:			
Prepayments and other current assets	*(6)*	**(1,352,965)**	(383,150)
Trade receivables	*(7)*	**(143,750)**	(57,500)
Accrued expenses and other current liabilities		**(28,640)**	58,640
Trade payable		**246,363**	42,705
Due to related parties		**-**	(1,005,901)
Cash generated from / (used in) operating activities		**44,452**	(2,883,627)
Zakat paid	*(12)*	**(67,176)**	(116,814)
Net cash used in operating activities		**(22,724)**	(3,000,441)
Cash flows from investing activities			
Investment carried at fair value through profit or loss	*(11)*	**(143,293)**	-
Proceeds from transfer of investment to related party at cost	*(8)*	**1,501,000**	-
Addition to fixed assets	*(9)*	**(569,913)**	(316,800)
Net cash generated from / (used in) investing activities		**787,794**	(316,800)
Cash flows from financing activities			
Proceeds from issuance of share capital	*(1.1)*	**1,000,000**	-
Payment against right of use assets		**(203,200)**	-
Net cash generated from financing activities		**796,800**	-
Net increase in cash and cash equivalents		**1,561,870**	(3,317,241)
Cash and cash equivalents at beginning of the year		**251,285**	3,568,526
Cash and cash equivalents at end of the year		**1,813,155**	251,285

The accompanying notes (1) through (21) form an integral part of these financial statements

1. ORGANIZATION AND ITS ACTIVITIES

Merak Capital Company ("the Company") is a Saudi Closed Joint Stock Company incorporated in the city of Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010501220 dated 24 Rabi' I 1440H (corresponding to 31 December 2018).The principal activities of the Company include managing non-real estate private mutual funds, managing experienced investor portfolios, and advising on securities business under the license of the Capital Market Authority No. 18194-32 dated 3 Rabi' I 1440H (corresponding to 11 November 2018).

1.1 Share capital

The share capital of the Company is SR 6 million divided into 600,000 shares (2020: SR 5 million divided into 500,000 shares) at a nominal value of SR 10 each. 100,000 shares issued during the year are equally shared between the shareholders. The shareholders acknowledge that the shares have been distributed among them and their value has been completely fulfilled.

The head office of the Company is located in city of Riyadh, 6959 Prince Turki Bin Abdulaziz Al Awwal Rd - Al Muhammadiyah Dist. Unit No 65, Riyadh 12364 - 2848 Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") ("here and after referred to as "IFRS as endorsed in KSA") and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for measurement of Investment at fair value through statement of profit or loss which are measured at fair value using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgement

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following significant accounting policies to all periods presented in these financial statements.

a) Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized in statement of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- Amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 designated as at FVTPL:

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

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 amortised 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition of financial instruments

Financial assets
The Company derecognises a financial asset when:
- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
The Company recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. 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, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the off taker is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand and short term highly liquid deposits with an original maturity of three months or less, which are available to the Company without any restrictions. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

c) Revenue recognition

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

i. Identify the contract(s) with a 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;

ii. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

iii. 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;

iv. Allocate the transaction price to the performance obligations in the contract: 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: and

v. Recognize revenue when (or as) the Company satisfies a performance obligation at a point time or over time.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

i. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or

ii. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance obligations completed to date.
Where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

d) Fixed Assets

Items of fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes expenditures that are directly attributable to the acquisition of these assets, including the cost of purchase and any other costs directly attributable to bring the assets to a working condition for their intended use.

Subsequent expenditure is recognised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset is included in the profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed assets (continued)
Depreciation is calculated to write off the cost of items of property, plant and equipment, less their residual values, on a straight-line basis over the estimated useful lives and is generally recognized in profit or loss.

At each reporting date, the Company reviews the carrying amounts of the fixed assets to determine whether there is any indication of impairment. If any indication exists, then the assets recoverable amount is estimated.

e) Accrued expenses and other liabilities
Accrued expenses and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest/commission rate method.

f) Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Impairment losses in respect of non- financial assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

h) Foreign currencies
Foreign currency transactions during the year, including purchases and sales of investments, income and expenses, are translated at the exchange rates prevailing on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated into the functional currency at the exchange rate ruling at the reporting date and foreign currency differences are recognized in statement of profit or loss. Foreign currency differences arising from the translation of investment in equity securities designated at FVOCI are recognized in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was determined.

i) Zakat

The Company is subject to Zakat in accordance with the regulations issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia which is subject to interpretations. Zakat is recognized in the statement of profit or loss and other comprehensive income. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the regulations.

j) Employee benefits

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

Management believes that the employees' end of service benefits are not material, therefore, the Company calculates employees' end of service benefits based on Saudi Labor Law.

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in the statement of profit or loss and other comprehensive income in the period in which they arise.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Leases (continued)

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

l) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

m) Contingent assets and liabilities

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly under the control of the Company.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

a) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2022; the Company has not early adopted them in preparing these financial statements.

Effective date	New standards or amendments
1 January 2022	*Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)*
	Annual improvements to IFRS Standards 2018 - 2020
	Property, plant and equipment: Proceeds before intended use (amendments to IAS 16)
	Reference to the conceptual framework (amendments to IFRS 3)
1 January 2023	*Classification of liabilities as current or non-current (amendments to IAS 1)*
	IFRS 17 Insurance contracts
	Disclosure of accounting policies (amendments to IAS 1)
	Definition of accounting estimates (amendments to IAS 8)
	Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

b) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2021, however the amendments do not have a significant effect of the Company's financial statements.

Effective date	**New standards or amendments**
1 January 2021	*Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
1 April 2021	*COVID-19 Related rent concessions (amendment to IFRS 16)*

5. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Current accounts with banks	**1,813,155**	251,285

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Accrued Revenue (Note 6.1)	**1,433,937**	20,833
Prepaid lease rentals	**-**	281,000
Advance to supplier	**47,880**	191,350
Professional services	**84,777**	117,065
Value added tax	**78,766**	75,358
Others	**306,865**	165,654
	1,952,225	851,260

6.1 It includes accrued Management Fee from a related party ("Merak Technology Ventures Fund") amounting to SR 200,257 (2020: Nil) and accrued subscription fee from unrelated parties.

7. TRADE RECEIVABLE

It represents trade receivable due form a related party Advanced communications and electronics Systems ("ACES") amounting to SR 115,000 (2020: 57,500), and subscription fee receivable of SR 86,250 (2020: Nil) from unrelated party.

There are no significant implications of the expected credit losses and trade receivables are assessed to have low credit risk as they are held with related parties and there has been no history of default with related parties. The outstanding receivable has been received subsequently in full. Accordingly, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible. These are non-interest-bearing instruments with no collateral linked to them.

8. SHARES CONVERTIBLE INTO AN EQUITY INSTRUMENT

On 20 November 2019, the Company invested in shares convertible into equity instrument in DC Ventures LTD, a private company limited by shares, which is an Information Technology based company in a starting phase. Total investment amounted to US $ 400 thousands (equivalent to SAR 1.5 million). During the year the Company transferred the investment to a Related Party ("Merak Technology Ventures Fund") at the carrying amount.

9. FIXED ASSETS

	Furniture and Fixture	Computer and Electronics	Leasehold Improvements	Total
COST:				
Balance as at 31 December 2020	-	-	316,800	316,800
Additions during the year	216,454	165,320	188,139	569,913
Disposals	-	-	-	-
Balance as at 31 December 2021	**216,454**	**165,320**	**504,939**	**886,713**
ACCUMULATED DEPRECIATION:				
Balance as at 31 December 2020	-	-	-	-
Depreciation for the year	19,568	15,903	84,387	119,858
Disposals	-	-	-	-
Balance as at 31 December 2021	**19,568**	**15,903**	**84,387**	**119,858**
Net Book Value as at 31 December 2021	**196,886**	**149,417**	**420,552**	**766,855**
Net Book Value as at 31 December 2020	-	-	316,800	316,800

10. RIGHT OF USE ASSET AND LEASE LIABILITY

The Company operates in a leased premises in relation to which the Company has recognized a right of use asset and corresponding lease liability the detail of which are as follows:

Amounts recognised in the statements of financial position and profit or loss:

	2021	2020
Right of use Asset		
Balance at the beginning of the year	**-**	-
Additions	**1,977,453**	-
Depreciation charge for the year	**(405,177)**	-
Balance at the end of the year	**1,572,276**	-

	2021	2020
Lease Liability		
Balance at the beginning of the year	**-**	-
Additions	**1,522,253**	
Special commission expense	**67,240**	-
Payments	**-**	-
Balance at the end of the year	**1,589,493**	-

10.1 Amounts recognized in statement of profit and loss

	31 December 2021	31 December 2020
Depreciation charge for the year	**405,177**	-
Special commission expense	**67,240**	-
	472,417	-

10.2 Amounts recognized in statement of profit and loss

	31 December 2021	31 December 2020
Current liability	**309,857**	-
Non-current liability	**1,279,636**	-
Total lease liability	**1,589,493**	**-**

11. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Company has made investment in a Related Party ("Merak Technology Ventures Fund") and is carried at Fair value through profit and loss. The market value of the investment is SAR 215,253 against the cost of SAR 143,293.

12. ZAKAT

a) Zakat status

The Company has filed its zakat return for the last year ended 31 December 2020 with the Zakat, Tax and Customs Authority ("ZATCA").

b) Zakat base

Significant components of Zakat base as of 31 December are as follows:

	31 December 2021	31 December 2020
Net profit / (loss) for the year	**735,127**	(1,573,832)
Adjustments to net profit/loss:	**68,002**	35,411
Net Profit / (loss) for the year	**803,129**	(1,538,421)
Shareholders' equity	**5,000,000**	5,000,000
Increase in capital	**178,571**	-
Accumulated losses	**(2,226,087)**	(585,079)
Lease Liability	**1,589,493**	-
Investment carried at fair value through profit and loss	**(215,253)**	-
Right of use assets	**(1,572,276)**	-
Fixed Assets	**(766,855)**	(316,800)
Zakat base	**1,987,593**	4,098,121
Estimated zakat charge for the year		
of zakat base at 2.578%	**51,234**	105,637
of adjusted profit at 2.5%	**20,078**	(38,461)
Zakat expense	**71,312**	67,176
Provision for zakat	**71,312**	67,176

c) Provision for Zakat movement

The movement in Zakat provision for the year ended 31 December was as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	**67,176**	116,814
Zakat expense for the year	**71,312**	67,176
Payments made during the year	**(67,176)**	(116,814)
Balance as of 31 December	**71,312**	67,176

13. EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Balance at beginning of the year	**35,411**	--
Charged during the year	**68,002**	35,411
	103,413	35,411

14. REVENUE

	31 December 2021	31 December 2020
Advisory and Debt Services (Note 14.1)	**379,307**	220,693
Management Fee (Note 14.2)	**3,056,507**	--
Subscription Fee	**1,413,680**	--
	4,849,494	220,693

14.1 This represents revenue from related parties ACES - Advanced Communications and Electronics Systems & (INET) - Integrated Networks Co. Ltd.

14.2 This represents Management Fee charged to related party, Merak Technology Ventures Fund.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021	31 December 2020
Salaries and employee related expenses	**2,106,108**	931,441
Professional and legal fees	**601,035**	400,777
Depreciation	**525,035**	-
Rent expense	**-**	144,911
Insurance expense	**133,160**	72,294
Government and subscriptions fees	**78,672**	58,638
Stationery and publications	**18,773**	9,332
Office expenses	**242,991**	-
License Fee	**74,387**	87,000
Others	**168,829**	35,477
	3,948,990	1,739,870

16. RELATED PARTY

In the ordinary course of its activities, the Company transacts business with its related parties. Related parties include Mr. Abdullah bin Abdulaziz Al-Tamami & Mr. Othman bin Abdul Razzaq Al-Hogail (the "Shareholders"), the Board of Directors, key management personnel, and other entities, which are under common ownership. The related party transactions are made at mutually agreed terms as per approved by board of directors.

a) Balances with related parties are as follows:

Related parties	**Relationship**	**Nature of transactions**	**31 December 2021**	31 December 2020
Integrated Networks Company Limited ("I Net")	Affiliate	Advisory services	**-**	20,833
Merak Technology Ventures Fund	Affiliate	Management Fee	**200,257**	-
Advanced Communications and Electronics System ("ACES")	Affiliate	Advisory services	**115,000**	57,500

16. RELATED PARTY (CONTINUED)

b) Significant transactions made during the year ended 31 December are as follows:

Related parties	Relationship	Nature of transactions	31 December 2021	31 December 2020
Abdullah bin Abdulaziz Al-Tamami	Shareholder	Payments of expenses on behalf of company	**-**	102,359
Othman bin Abdul Razzaq Al-Hogail	Shareholder	Payments of expenses on behalf of company	**-**	5,860
ACES - Advanced Communications and Electronics Systems	Affiliate	Advisory Services	**345,000**	57,500
INET - Integrated Networks Co. Ltd	Affiliate	Advisory Services	**62,500**	208,333
Merak Technology Ventures Fund	Affiliate	Management Fee	**3,056,507**	-
Merak Technology Ventures Fund	Affiliate	Payment on behalf	**34,010**	3,945
Merak Private Equity Fund – Data & Digitization	Affiliate	Payment on behalf	**40,250**	-
Merak Technology Ventures Fund	Affiliate	Investment	**215,253**	-
Merak Technology Ventures Fund	Affiliate	Investment transfer at carrying value	**1,501,000**	-

c) Key management personnel compensation comprised the following:

	31 December 2021	31 December 2020
Short-term benefits	**840,000**	580,000
Post-employment benefits	**64,247**	29,247
	904,247	609,247

17. FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks arising from financial instruments:
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Market risk
Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market variables such as special commission rates, equity prices and foreign exchange rates. Market risk can be categorized into currency risk, commission rate risk and equity price risk.

a) *Currency risk*
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals (SAR) and US Dollar (USD). As the SAR is pegged to the USD, the Company is not exposed to any significant currency risk.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) *Commission rate risk*
Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. As of 31 December 2021, the Company does not hold any commission bearing instrument and accordingly, the Company is not exposed to commission rate risk.

c) *Equity price risk*
Equity price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. As of 31 December 2021, the Company does not have any equity investment which is listed on any market, therefore, the Company is not exposed to equity price risk.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk mainly arising from cash and cash equivalents and trade receivable.

Credit risk on bank balances is assessed to be minimal as these balances are callable on demand and held with reputable financial institutions in KSA. Credit risk on financial assets such as account receivables and other current assets are assessed to be minimal based on historical default and the fact that they are due from counterparties with creditworthiness evaluated to be good by the Company's internal process.

The Company's risk management policies and processes are designed to identify and analyze risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

The maximum exposure to credit risk for the Company was as follows:

	31 December 2021	31 December 2020
Cash and cash equivalents	**1,813,155**	251,285
Trade receivable	**201,250**	57,500
Other current assets	**1,433,937**	20,833
	3,448,342	329,618

All bank balances, receivables and other current assets are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions & related parties and there has been no history of default with any of the Company's bank balances, receivables and other current assets. Accordingly, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible

Liquidity risk
Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (continued)

The Company's approach to managing liquidity is to ensure it always has sufficient liquidity (or access to sufficient liquidity) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Company's reputation. The contractual maturity profile of the financial assets and financial liabilities of the Company as of 31 December 2021 was as follows:

	Within 3 months	3-12 months	More than 1 year	No fixed maturity	Total
31 December 2021					
Cash and cash equivalents	**1,813,155**	**-**	**-**	**-**	**1,813,155**
Trade receivable	**-**	**201,250**	**-**	**-**	**201,250**
Prepayments and other current assets	**-**	**1,433,937**	**-**	**-**	**1,433,937**
Financial assets – Total	**1,813,155**	**1,635,187**	**-**	**-**	**3,448,342**
Accrued expenses and other current liabilities	**30,000**	**-**	**-**	**-**	**30,000**
Account payable	**131,891**	**157,177**	**-**	**-**	**289,068**
Financial liabilities – Total	**161,891**	**157,177**	**-**	**-**	**319,068**

	Within 3 months	3-12 months	More than 1 year	No fixed maturity	Total
31 December 2020					
Cash and cash equivalents	251,285	--	--	--	251,285
Shares convertible into equity instrument	1,501,000	--	--	--	1,501,000
Trade receivable	57,500	--	--	--	57,500
Prepayments and other current assets	--	20,833	--	--	20,833
Financial assets – Total	1,809,785	20,833	--	--	1,830,618
Accrued expenses and other current liabilities	--	58,640	--	--	58,640
Account payable	42,705	--	--	--	42,705
Financial liabilities - Total	42,705	58,640	--	--	101,345

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider level 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 of managing operational risk is to ensure control of the Company's resources by protecting the assets of the Company and minimizing the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors. These tools include a loss database of operational risks events categorized according to CMA Prudential Rules, business lines, operational risk event types and a risk and control assessment process to analyze business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimizing 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. High impact risks and issues of critical importance are reported to the Board of Directors which then set resolution priorities.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

As of 31 December 2021, the Company's management assessed that the fair values of cash and cash equivalents, due to and due from related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is reported at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Company's financial assets and financial liabilities measured and recognized at fair value including their levels in the fair value hierarchy at 31 December 2021 on a recurring basis. 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.

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
- *Investments at fair value through profit or loss*	-	215,253	-	215,253
Total financial assets at fair value	**-**	**215,253**	**-**	**215,253**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
- *Investments at fair value through profit or loss*	-	1,501,000	-	1,501,000
Total financial assets at fair value	**-**	**1,501,000**	**-**	**1,501,000**

Significant unobservable inputs in level 3 instruments

In determining the fair value of the investments held at fair value through profit or loss, management has used the income approach to compute the fair value using discount rate as the significant unobservable input. As of 31 December 2021, there is no material difference between the fair value and the carrying amount.

Financial instruments by category

The classification of financial assets by category are included in the below table.

	Amortized cost	FVTPL	FVOCI
31 December 2021			
Cash and cash equivalents	**1,813,155**	**-**	**-**
Trade receivable	**201,250**	**-**	**-**
Other current assets	**1,433,937**	**-**	**-**
Investment carried at fair value through profit and loss	**-**	**215,253**	**-**
Total	**3,448,342**	**215,253**	**-**

18. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Amortized cost	FVTPL	FVOCI
31 December 2020			
Cash and cash equivalents	251,285	-	-
Trade receivable	57,500		
Other current assets	20,833	-	-
Shares convertible into an equity instrument	-	1,501,000	-
Total	329,618	1,501,000	-

As of the statement of financial position date, all financial liabilities were measured at amortized cost.

19. CAPITAL MANAGEMENT

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

The Capital Market Authority has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, CMA prescribed the framework and

guidance regarding the minimum regulatory capital requirement and its calculation methodology. According to this methodology, the Company calculated the capital adequacy as follows:

Description	**31 December 2021**	31 December 2020
Capital base:		
Tier-1 Capital (a)	**4,437,728**	2,773,913
Tier-2 Capital (a)	**-**	-
	4,437,728	2,773,913
Minimum Capital Requirement		
Credit risk	**1,130,128**	491,212
Operational risk	**1,048,227**	448,881
Market risk	**36,263**	5,026
Total (b)	**2,214,618**	945,119
Surplus in capital	**2,223,110**	1,828,794
Capital adequacy ratio	**2.00%**	2.93%

a) Capital Base of the Company comprise of:
- Tier-1 capital consists of paid-up share capital and accumulated losses.
- Tier-2 capital consists of unrealized gain of investments at fair value through statement of comprehensive income.

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

20. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform with the presentation in the current year.

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements appearing on pages (1) to (25) have been approved by the shareholders on 27 Sha’ban 1443H (corresponding to 30 March 2022).