MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
INDEPENDENT AUDITOR'S REPORT

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No.1010425494

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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 2020, 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 2020, 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 Certified Public 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.

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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

Fahad Mubark Al Dossari
License No: 469

كي بي إم جي للإستشارات المهنية
Lic No. 46
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R : 1
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ترخيص رقم ٤٦
KPMG Professional Services

Riyadh, 31 March 2021
Corresponding to 18 Sha'ban 1442H

MERAK CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As of 31 December 2020
(Saudi Arabian Riyals)

	Note	**31 December 2020**	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	*(5)*	**251,285**	3,568,526
Prepayments and other current assets	*(6)*	**851,260**	468,110
Account receivables	*(7)*	**57,500**	--
Shares convertible into an equity instrument	*(8)*	**1,501,000**	1,501,000
Total current assets		**2,661,045**	5,537,636
Non-current assets			
Leasehold improvements	*(9)*	**316,800**	--
Total non-current assets		**316,800**	--
TOTAL ASSETS		**2,977,845**	5,537,636
LIABILITIES AND EQUITY			
Current liabilities			
Account payables		**42,705**	--
Accrued expenses and other current liabilities	*(10)*	**58,640**	--
Due to related parties	*(11)*	**--**	1,005,901
Provision for zakat	*(13)*	**67,176**	116,814
Total current liabilities		**168,521**	1,122,715
Non-current liabilities			
Employee benefits	*(12)*	**35,411**	--
Total non-current liabilities		**35,411**	--
TOTAL LIABILITIES		**203,932**	1,122,715
EQUITY			
Share capital	*(1.1)*	**5,000,000**	5,000,000
Accumulated losses		**(2,226,087)**	(585,079)
TOTAL EQUITY		**2,773,913**	4,414,921
TOTAL LIABILITIES AND EQUITY		**2,977,845**	5,537,636

The accompanying notes (1) through (20) 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 2020
(Saudi Arabian Riyals)

	Note	**31 December 2020**	For the period from 31 December 2018 to 31 December 2019
Revenue		**220,693**	--
Cost of revenue		**(54,955)**	--
Gross profit		**165,738**	--
Operating expenses			
General and administrative expenses	*(14)*	**(1,740,570)**	(468,265)
Other income		**1,000**	--
Operating loss before zakat		**(1,573,832)**	(468,265)
Zakat expense	*(13)*	**(67,176)**	(116,814)
Net loss for the year		**(1,641,008)**	(585,079)
Other comprehensive income for the year		**--**	--
Total other comprehensive income for the year		**--**	--
Total comprehensive loss for the year		**(1,641,008)**	(585,079)

The accompanying notes (1) through (20) 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 2020
(Saudi Arabian Riyals)

	Share capital	Accumulated losses	Total
Capital paid during the period	5,000,000	--	5,000,000
Net loss for the period	--	(585,079)	(585,079)
Other comprehensive income for the period	--	--	--
Total comprehensive loss for the period	--	(585,079)	(585,079)
Balance as of 31 December 2019	5,000,000	(585,079)	4,414,921
Balance as of beginning of the year	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**

The accompanying notes (1) through (20) 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 2020
(Saudi Arabian Riyals)

	Note	31 December 2020	For the period from 31 December 2018 to 31 December 2019
Cash flows from operating activities			
Operating loss before zakat		**(1,573,832)**	(468,265)
Adjustments for:			
Employee benefits	*(12)*	**35,411**	--
		(1,538,421)	(468,265)
Changes in operating assets and liabilities:			
Prepayments and other current assets	*(6)*	**(383,150)**	(468,110)
Account receivables	*(7)*	**(57,500)**	--
Accrued expenses and other current liabilities	*(10)*	**58,640**	--
Account payable		**42,705**	--
Due to related parties	*(11)*	**(1,005,901)**	1,005,901
Cash (used in) / generated from operating activities		**(2,883,627)**	69,526
Zakat paid	*(13)*	**(116,814)**	--
Net cash (used in) / generated from operating activities		**(3,000,441)**	69,526
Cash flows from investing activities			
Acquisition of shares convertible into an equity instrument	*(8)*	--	(1,501,000)
Addition to leasehold improvements	*(9)*	**(316,800)**	--
Net cash used in investing activities		**(316,800)**	(1,501,000)
Cash flows from financing activities			
Proceeds from issuance of share capital		--	5,000,000
Net cash generated from financing activities		--	5,000,000
Net decrease/increase in cash and cash equivalents		**(3,317,241)**	3,568,526
Cash and cash equivalents at beginning of the year / period		**3,568,526**	--
Cash and cash equivalents at end of the year / period		**251,285**	3,568,526

The accompanying notes (1) through (20) 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 5 million divided into 500 shares at a nominal value of SR 10 each. The shareholders acknowledge that the shares have been distributed among them and their value has been completely fulfilled. The following is a statement of the shareholders as of 31 December 2020:

Shareholder	No. of shares	Saudi Arabian Riyals
Abdullah bin Abdulaziz Al-Tamami	250,000	2,500,000
Othman bin Abdul Razzaq Al-Hogail	250,000	2,500,000
	500,000	**5,000,000**

The head office of the Company is located in city of Riyadh, 3692 Saeed bin Ameer Street, Riyadh Al Nakheel District 7650-12394 Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standard Board ("IASB") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountant ("SOCPA").

Pursuant to the Company's By-Laws, the first financial reporting period of the Company began from 31 December 2018 (date of commercial registration) and ended on 31 December 2019. Accordingly, the comparatives in these financial statements are presented for the period from 31 December 2018 (date of commercial registration) to 31 December 2019.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for measurement of convertible shares at fair value through statement of profit or loss, 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 judgements

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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Recognition and initial measurement
The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the instrument i.e. on trade date.

On initial recognition, the Company measures a financial asset or financial liability at its fair value through statements of profit or loss plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are charged in the statement of profit or loss.

Classification and measurement of financial assets
On initial recognition, a financial asset is classified as measured: at amortized cost, at fair value through other comprehensive income ("FVOCI") or at fair value through statement of profit or loss ("FVTPL").

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

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

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

- the financial asset 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 fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at fair value through statement of profit or loss (FVTPL)
All other financial assets are classified as measured at FVTPL.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through Profit & Loss (FVTPL).	These are subsequently measured at fair value. Net gains and losses, including any special commission or dividend income, are recognized in the statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective commission rate method. The amortized cost is reduced by impairment losses. Special commission income, foreign exchange gains and losses and impairment are recognized in the statement of comprehensive income. Any gain or loss on derecognition is recognized in statement of profit or loss.
Equity investments at FVOCI	These are subsequently measured at fair value. Dividends are recognized as income in the 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 recognized in the statement other comprehensive income and are never reclassified to statement of profit or loss.

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) Leasehold improvements

Leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation of leasehold begins when it is available for use i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

e) Accrued expenses and other current liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income statement. 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) Impairment losses on trade receivables and other current assets

The Company assesses impairment for receivables and other current assets that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics. Receivables and other current assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company establishes if there is objective evidence that all amounts due may not be collectible in accordance with the original terms of the contract and evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

h) Impairment

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the IFRS 9 approach, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

i) 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.

j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

k) 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. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the regulations.

l) 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 is 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 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.

m) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

n) Offsetting

Financial assets and liabilities are off-set and the net cash 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 realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) 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.

p) 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) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2020 and accordingly adopted by the Company, as applicable:

- Amendments to IFRS 3: Definition of a Business;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1.

The adoption of the amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

b) Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2021 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16), applicable for beginning on or after 1 June 2020;
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) for the period beginning on or after 1 January 2021;
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, applicable for the period beginning on or after 1 January 2022;
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37), for the period beginning on or after 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), for the period beginning on or after 1 January 2022;
- Reference to Conceptual Framework (Amendments to IFRS 3), for the period beginning on or after 1 January 2022; and
- IFRS 17 – Insurance contracts, applicable for the period beginning on or after 1 January 2023.

5. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Current accounts with banks	**251,285**	3,568,526
	251,285	3,568,526

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid lease rentals	**281,000**	303,500
Advance to supplier	**191,350**	--
Professional services	**117,065**	46,832
Value added tax	**75,358**	9,688
Others (Note 6.1)	**186,487**	108,090
	851,260	468,110

6.1 It includes unbilled receivable from a related party ("I Net") amounting to SR 20,833 (2019: Nil).

7. ACCOUNT RECEIVABLE

It represents trade receivable due form a related party ("ACES") amounting to SR 57,500 (2019: Nil). There are no significant implications of the expected credit losses. 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 is amounted to US $ 400 thousands (equivalent to SAR 1.5 million). As of 31 December 2020, there is no material difference between the fair value and the carrying amount.

9. LEASEDHOLED IMPPROVEMENTS

Leased improvements represent capital expenditures in the new leased office of the Company located in Riyadh, Kingdom of Saudi Arabia. As of 31 December 2020, leasehold improvements are completed, however, the office building is not ready for use, therefore, no depreciation has been charged.

10. ACCRUED EXPENSE AND OTHER CURRENT LAIBILITIES

	31 December 2020	31 December 2019
Unearned revenue (Note 10.1)	**37,640**	--
Others	**21,000**	--
	58,640	--

10.1 It represents advance received from a related party ("ACES") which is not earned at reporting date.

11. DUE TO RELATED PARTIES

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.

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

Related parties	Relationship	Nature of transactions	31 December 2020	31 December 2019
Abdullah bin Abdulaziz Al-Tamami	Shareholder	Payments on behalf	**102,359**	506,692
Othman bin Abdul Razzaq Al-Hogail	Shareholder	Payments on behalf	**5,860**	499,208
Integrated Networks Company Limited ("I Net")	Affiliate	Advisory services	**208,333**	--
Advanced Communications and Electronics System ("ACES")	Affiliate	Advisory services	**57,500**	--
Merak Technology Venture Fund	Fund Managed by the Company	Payments on behalf	**3,945**	79,702

b) Key management personnel compensation comprised the following:

	31 December 2020	For the period from 31 December 2018 to 31 December 2019
Short-term benefits	**580,000**	--
Post-employment benefits	**29,247**	--
	609,247	--

c) Due to related parties as of 31 December are as follows:

	31 December 2020	31 December 2019
Abdullah bin Abdulaziz Al-Tamami	--	506,692
Othman bin Abdul Razzaq Al-Hogail	--	499,208
	--	1,005,901

12. EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Balance at beginning of the year / period	--	--
Charged during the year / period	**35,411**	--
	35,411	--

13. ZAKAT

a) Zakat status

The Company has filed its zakat return for the last period ended 31 December 2019 with the General Authority of Zakat and Tax.

b) Zakat base

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

	31 December 2020	31 December 2019
Net loss for the year / period	**(1,573,832)**	(468,265)
Adjustments to net loss:	**35,411**	--
Net loss for the year / period	**(1,538,421)**	(468,265)
Shareholders' equity	**5,000,000**	5,000,000
Accumulated losses	**(585,079)**	--
Leasehold improvements	**(316,800)**	--
Zakat base	**4,098,121**	5,000,000
Estimated zakat charge for the year		
of zakat base at 2.578%	**105,637**	128,900
of adjusted profit at 2.5%	**(38,461)**	(12,086)
Zakat expense	**67,176**	116,814
Provision for zakat	**67,176**	116,814

c) Provision for Zakat movement

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

	31 December 2020	31 December 2019
Balance at beginning of the year / period	**116,814**	--
Zakat expense for the year / period	**67,176**	116,814
Payments made during the year / period	**(116,814)**	--
Balance as of 31 December	**67,176**	116,814

14. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2020	For the period from 31 December 2018 to 31 December 2019
Salaries and employee related expenses	**931,441**	--
Professional and legal fees	**400,777**	194,418
Rent expense	**144,911**	27,500
License fee	**87,000**	117,500
Insurance expense	**72,294**	22,500
Government and subscriptions fees	**58,638**	56,473
Stationery and publications	**9,332**	10,678
Marketing expenses	**700**	27,675
Others	**35,477**	11,521
	1,740,570	468,265

15. 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.

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 2020, 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 2020, 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 account 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 2020	31 December 2019
Cash and cash equivalents	**251,285**	3,568,526
Account receivable	**57,500**	--
Other current assets	**20,833**	--
	329,618	3,568,526

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 2020 was as follows:

	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 a equity instrument	**1,501,000**	--	--	--	**1,501,000**
Account 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**

	Within 3 months	3-12 months	More than 1 year	No fixed maturity	Total
31 December 2019					
Cash and cash equivalents	3,568,526	--	--	--	3,568,526
Shares convertible into equity instrument	--	--	1,501,000	--	1,501,000
Prepayments and other current assets	--	--	--	--	--
Total Financial Assets	3,568,526	--	1,501,000		5,069,526
Due to related parties	--	1,005,901	--	--	1,005,901
Total Financial liabilities	--	1,005,901	--	--	1,005,901

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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

As of 31 December 2020, 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 2020 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 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**
31 December 2019				
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**

16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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 2020, 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 2020			
Cash and cash equivalents	**251,285**	--	--
Accounts receivable	**57,500**		
Other current assets	**20,833**	--	--
Shares convertible into an equity instrument	--	**1,501,000**	--
Total	**329,618**	**1,501,000**	--
31 December 2019			
Cash and cash equivalents	3,568,526	--	--
Other current assets	468,110	--	--
Shares convertible into an equity instrument	--	1,501,000	--
Total	4,036,636	1,501,000	--

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

17. 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 2020**	31 December 2019
Capital base:		
Tier-1 Capital (a)	**2,773,913**	4,414,921
Tier-2 Capital (a)	--	--
	2,773,913	4,414,921
Minimum Capital Requirement		
Credit risk	**491,212**	428,236
Operational risk	**448,881**	117,066
Market risk	**5,026**	71,371
Total (b)	**945,119**	616,673
Surplus in capital	**1,828,794**	3,798,248
Capital adequacy ratio	**2.93%**	7.16%

17. CAPITAL MANAGEMENT (COUNTINUED)

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.

18. IMPACT OF COVID-19

On 11 March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the spread of the Covid-19 virus in the Kingdom of Saudi Arabia where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has not yet been able to estimate the overall impact on its operations.

As with any estimate, the projections and likelihoods of occurrence are underpinned by significant judgment and rapidly evolving situation and uncertainties surrounding the duration and severity of the pandemic and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

19. SUBSEQUENT EVENT

Subsequent to the reporting date, the investment mentioned in note 8 above has been transferred to Merak Technology Venture Fund, which is managed by the Company at the carrying value.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements appearing on pages (1) to (20) have been approved by the shareholders on 18 Sha'ban 1442H (corresponding to 31 March 2021).