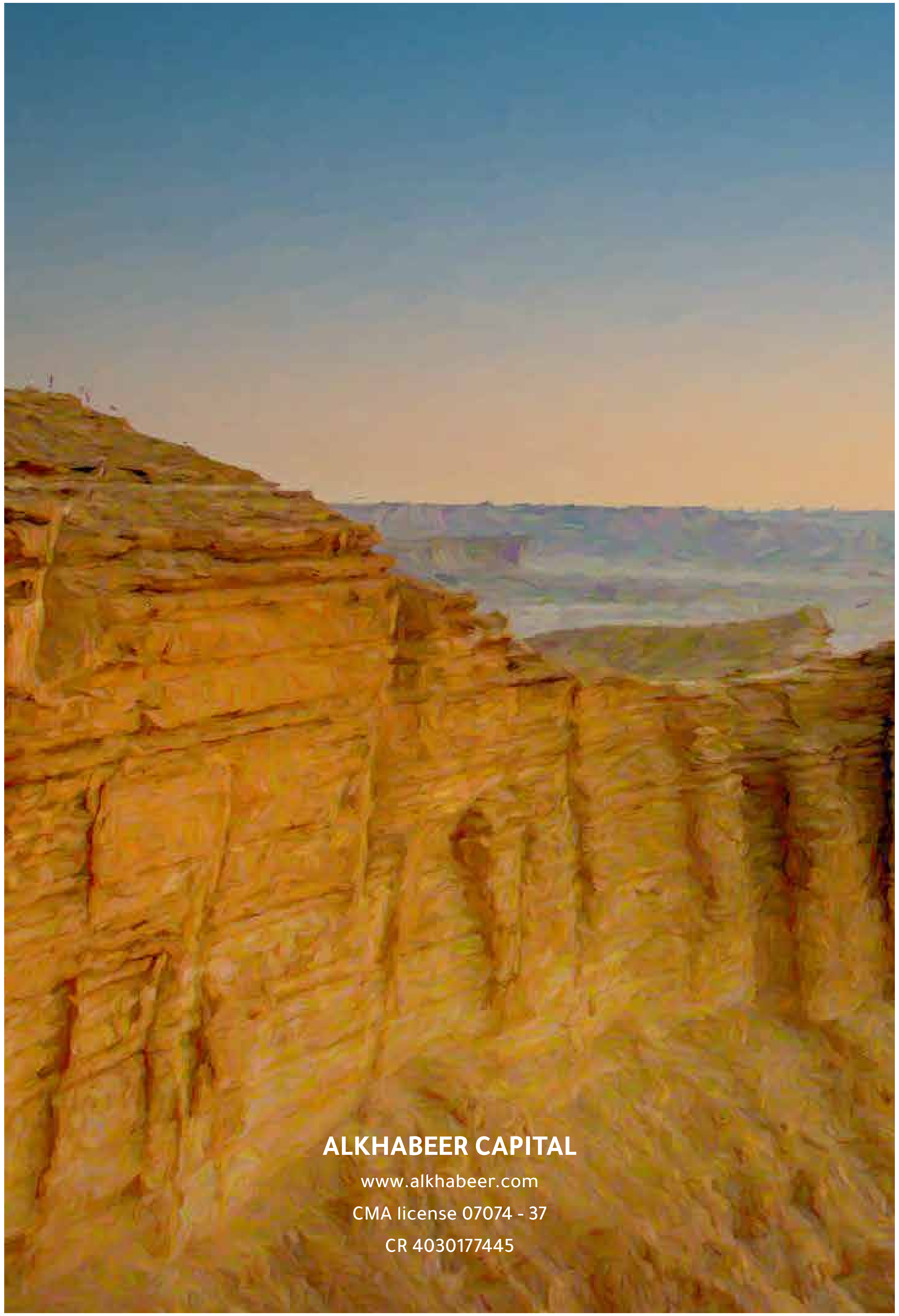


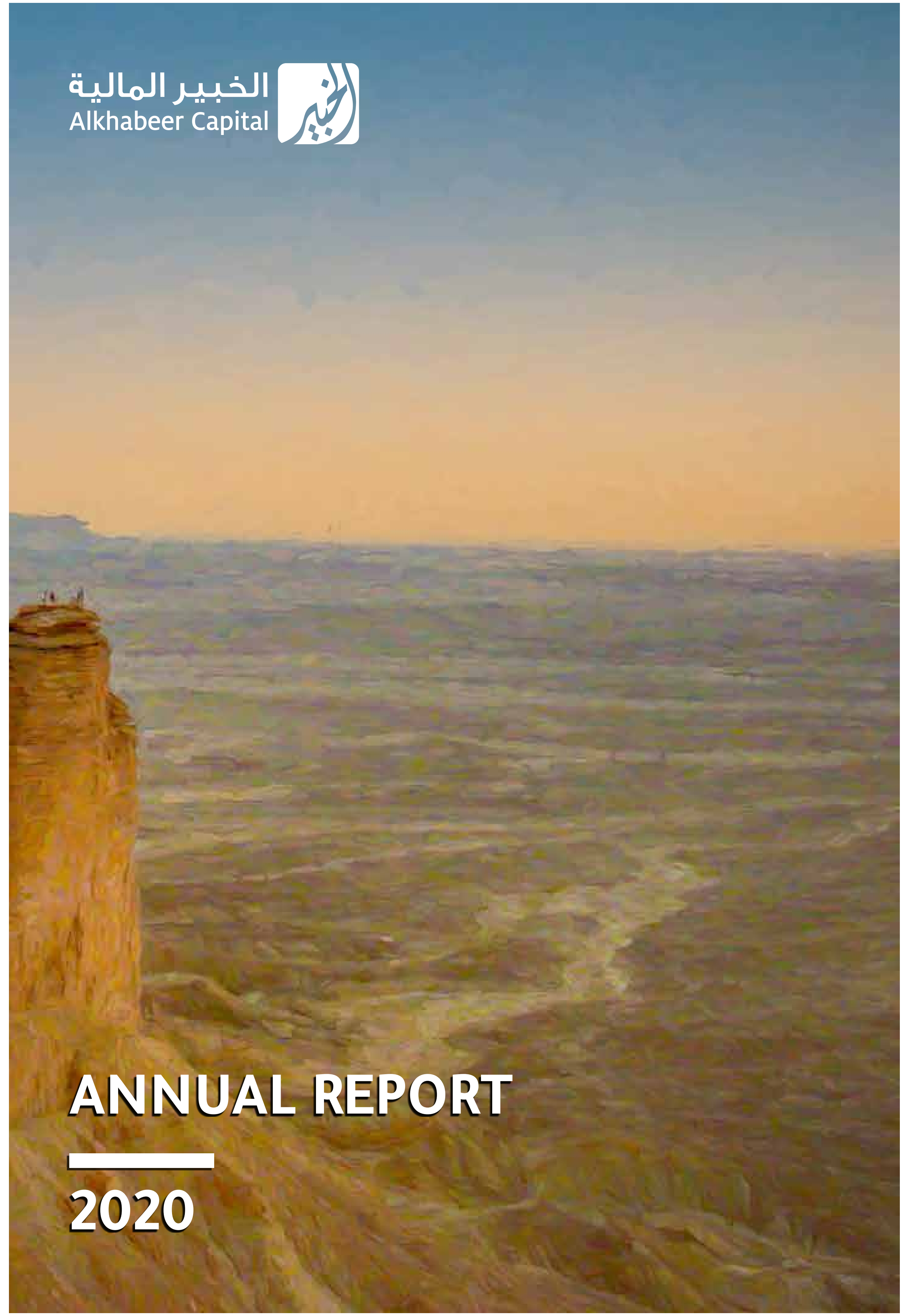
ALKHABEER CAPITAL

www.alkhabeer.com

CMA license 07074 - 37

CR 4030177445

ALKHABEER CAPITAL ANNUAL REPORT 2020



الخبير المالية

Alkhabeer Capital

ANNUAL REPORT

2020

IN THE NAME OF ALLAH,
THE MERCIFUL, THE COMPASSIONATE

King Salman bin Abdulaziz Al Saud
CUSTODIAN OF THE TWO HOLY MOSQUES

HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud
CROWN PRINCE, DEPUTY PRIME MINISTER AND MINISTER OF DEFENSE

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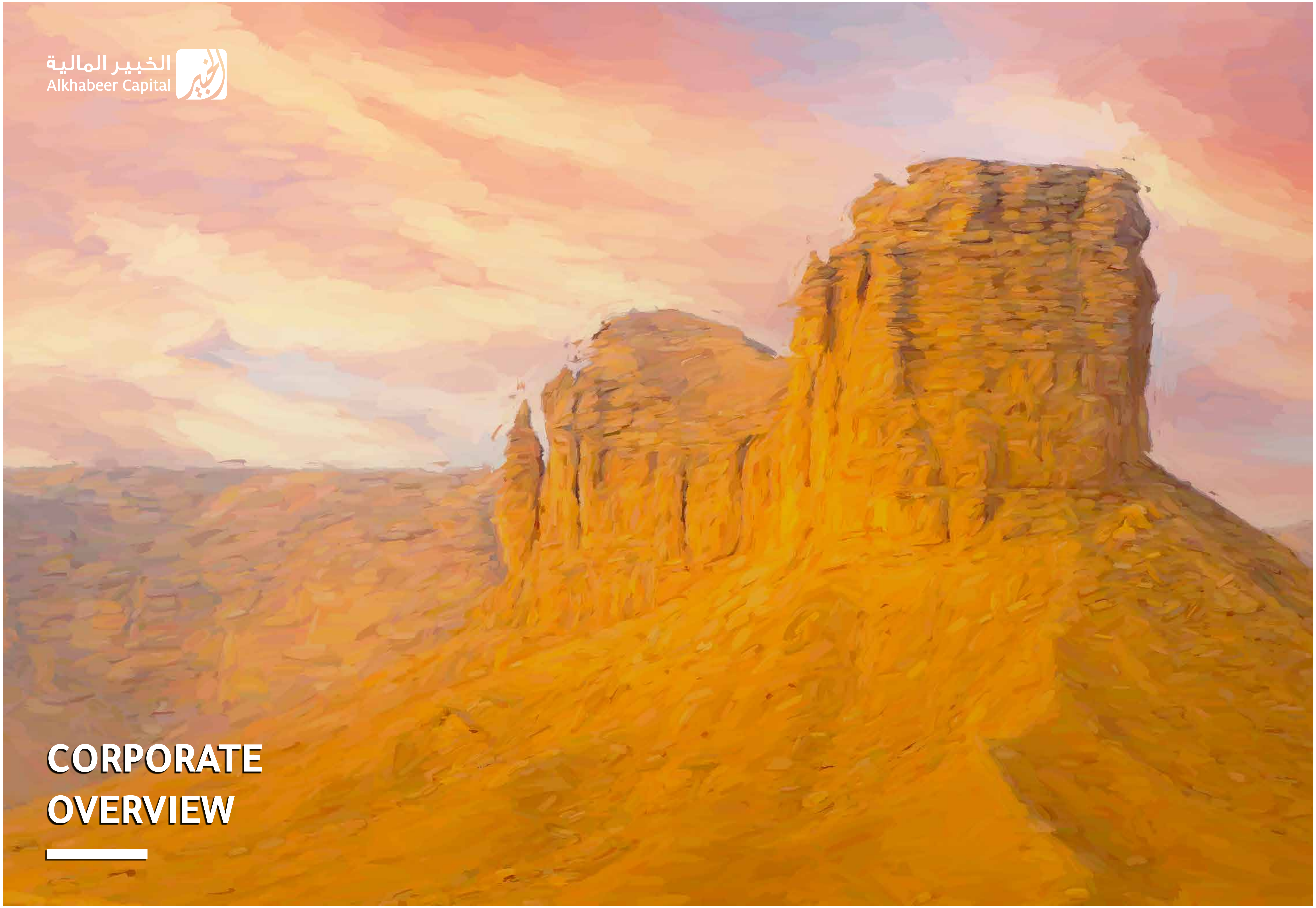


CORPORATE OVERVIEW

CORPORATE OVERVIEW

Alkhabeer Capital endeavors to be the provider of choice of Shari'a-compliant investment products and solutions through its insightful approach to creating partnerships with clients to provide investment opportunities and solutions.

The Company has successfully strengthened such partnerships by investing its capital to maximize its value proposition to shareholders and clients, supported by a high-caliber team of professionals with diverse expertise and extensive experience.

Alkhabeer's extensive track record allows the Company to capitalize on investment opportunities created by economic and regulatory developments. The Company's investments are well diversified by sector and geography across Saudi Arabia and the GCC region, together with select global markets including the United States and the United Kingdom.

Alkhabeer Capital's Asset Management works to provide investment opportunities through the private and public offering of investment funds in real estate, private equity, and financial markets. Real estate investments focuse on acquiring income-generating real estate assets across Saudi Arabia. Private equity investments target defensive sectors, such as education and healthcare, as well as manufacturing businesses that have strong exporting activities.

The Company's Capital Markets Department also provides its services through private investment portfolio management services that meet the needs of different categories of investors.

Headquartered in Jeddah, and with a branch in Riyadh, Kingdom of Saudi Arabia, Alkhabeer Capital is regulated by the Capital Market Authority (CMA), License No. 07074-37.

OUR VALUES

- Placing the interests of our clients and partners first;
- Always endeavoring to anticipate our clients' needs and changes in the markets where we operate;
- Maximizing the value of our shareholders' equity;
- Taking pride in our efficiency and professionalism; and
- Encouraging creativity, innovation, and development.

OUR MISSION

To be the company of choice that high achievers want to work for, and that every investor desires to buy.

OUR VISION

To be the partner creating innovative investment solutions of enduring value.

14
EXITED FUNDS

32
LAUNCHED FUNDS

16
YEARS OF SUCCESS

28
AWARD

2
BRANCHES

84
EXPERTS

HISTORY OF ACHIEVEMENTS

2008

THE BEGINNING

The Company obtained a license from the Capital Market Authority to deal in securities as an underwriter, managing, arranging, advising and custodian services. Its name was changed to Alkhabeer Capital.

2010

FIRST REAL ESTATE FUND

Entered the real estate investment field by launching 4 real estate investment funds in the Kingdom of Saudi Arabia.

2011

ENTERED THE CAPITAL MARKETS

Launched two funds to invest in the capital markets, namely, the Alkhabeer GCC Equity Fund and the Alkhabeer Global Commodity Fund.

2012

THE FIRST PRIVATE EQUITY FUNDS

Launched the first private equity investment funds (industrial), and the first real estate investment fund in London - United Kingdom.

Won the "Best Company for Islamic Portfolio Management" award.

2013

PORTFOLIO MANAGEMENT

Began providing portfolio management service to the Company's clients by the Capital Markets Department.

Won the "Best Employers in the Mid-dle East" award.

2014

INVESTING IN HEALTH SECTOR

Launched the first private equity fund that invests in the health sector.

Launched the first real estate investment fund in the United States.

First exit from a fund.

2015

INVESTING IN EDUCATION SECTOR

Launched the first private equity fund that invests in the education sector.

Exited from real estate investment fund.

Won the first place as Best Workplace within the financial sector.

2016

INCOME-GENERATING REAL ESTATE ASSETS

Launched the first real estate investment income-generating fund and launched the first fund in the Hospitality sector.

Exited from a real estate fund.

Won two awards:" Best Workplace in Saudi Arabia" and "Best Workplace in Asia"

2017

INVESTING IN HOSPITALITY SECTOR

Coinciding with the launch of the Saudi Vision 2030, we continued to focus on implementing our strategy that targets investment opportunities in the hospitality sector.

Exited from a private equity fund that invests in the industrial sector.

2018

REAL ESTATE TRADED FUNDS

Launched the first real estate investment traded fund "Alkhabeer REIT", with total assets exceeding one billion SAR.

2019

INCOME-GENERATING FUNDS

Launched a public Waqf fund and exited from 4 funds.

Won first place as the Best Workplace within the financial services sector.

2020

ESTABLISHMENT OF THE BROKERAGE DEPARTMENT

Launched a traded income fund, the first of its kind in the Kingdom.

Established the Brokerage Department in the Company.

Exited from a real estate fund.

الخبير المالية
Alkhabeer Capital
AWARDS

AWARDS

As a company specializing in investment management and human resources development, Alkhabeer Capital's excellence and leadership continued to be recognized by major regional and international bodies in the financial sector, which highlights the role and importance of the Company in the Saudi market as well as the dedication and creativity of its staff members.

2020 AWARDS

- "Best Private Equity Firm" in the region as part of the prestigious MEA Finance Awards 2020 programme.
- "Best Investment Management Firm" in Saudi Arabia as part of the prestigious MEA Finance Awards 2020 programme.
- "Best Islamic REIT 2020" award for Alkhabeer REIT as part of the 10th edition of the prestigious Global Islamic Finance Awards.
- Alkhabeer Capital has topped the list of 2020 "Best Workplaces for Saudi Nationals" within the private sector in Saudi Arabia, and third place among both private and public sectors, by the leading global workplace culture authority Great Place to Work® Middle East.
- Alkhabeer Capital has also been ranked first place among "2020 Best Workplaces for Women" within the financial sector in the GCC and the second place among all companies.
- Alkhabeer Capital was recognized as second-best workplace within the financial sector in the Middle East and ninth overall among all companies in the region by the Great Place to Work® Institute.

"Best Private Equity Firm" in the region, and "Best Investment Management Firm" in Saudi Arabia at the MEA Finance Awards 2020

"Best Islamic REIT 2020" award of the 10th edition of the prestigious Global Islamic Finance Awards

Second "Best Workplace in Middle East" within the financial sector by Great Place to Work®

First Place as "2020 Best Workplace for Saudi Nationals" within the private sector in Saudi Arabia by Great Place to Work® Middle East

Number One in "Best Workplaces for Women" within the financial sector in the GCC by Great Place to Work®

"Best Workplace in the Saudi Arabia" within the financial sector by Great Place to Work®

"Best Workplace in Saudi Arabia" within the financial sector by Great Place to Work®

Banker Middle East - "Best Private Equity Firm" in Saudi Arabia

Islamic Business and Finance - "Best Asset Manager in Saudi Arabia"

Ranked 6th under the Best Small and Medium Workplaces in Asia and the only Saudi Company in the List

"Best GCC Equity Fund" for Alkhabeer GCC Equity Fund

"GCC Equity Fund of the Year" for Alkhabeer GCC Equity Fund

"Best Islamic Fund Banker Middle East" for Alkhabeer Liquidity Fund - Hasseen

"The Best Asset Management Company in the Arab Gulf"

"Best Employers in the Middle East". The only company in Saudi Arabia that won this prize from Aon Hewitt

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

EARNINGS

(SAR '000)	2020	%	2019	2018	2017	2016
Operating Revenue	**200,550**	700%	25,075	188,213	187,490	207,358
Operating Expenses	**(103,106)**	0.86%	(102,226)	(98,814)	(92,205)	(110,552)
Murabaha and Financing Expenses	**(40,532)**	(3.91%)	(42,182)	(33,892)	(34,141)	(25,674)
Net Income before Zakat and Income Tax	**63,490**	151%	(123,854)	56,860	61,144	71,132

FINANCIAL POSITION

(SAR '000)	2020	%	2019	2018	2017	2016
Shareholder's Equity	**909,484**	7.14%	848,882	985,427	941,786	880,642
Total Assets	**1,982,536**	14.21%	1,735,880	1,927,555	1,745,498	1,611,613
Investments	**1,428,153**	6.71%	1,338,360	1,527,900	1,330,406	1,267,634
Total Liabilities	**1,073,052**	20.98%	886,998	942,128	803,712	730,971
Assets Under Management	**5,469,925**	30,05%	4,206,149	5,597,631	4,774,120	4,426,995

PROFITABILITY

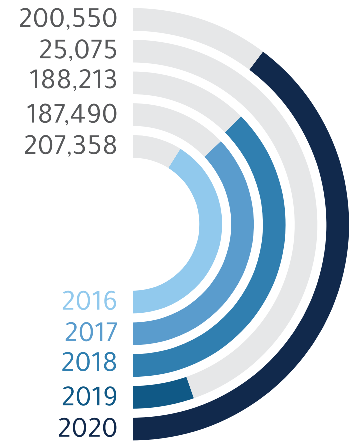
	2020	%	2019	2018	2017	2016
Net Income Margin	**31.7%**	106.42%	(493.9%)	30.2%	32.6%	34.3%
Return on Average Assets	**3.4%**	150%	(6.8%)	3.1%	3.6%	4.7%
Operating Expenses-to-Income ratio	**51%**	87.25%	408%	53%	49%	53%
Earnings per Share (SAR)	**0.69**	148.25%	(1.43)	0.68	0.72	0.87
Return on Equity	**7.2%**	153%	(13.5%)	5.9%	6.7%	8%

% CHANGE

SHAREHOLDERS' EQUITY	TOTAL ASSETS	INVESTMENTS	TOTAL CLAIMS	ASSETS UNDER MANAGEMENT
909	1,98	1,43	1	5,5
SAR MILLION	SAR BILLION	SAR BILLION	SAR BILLION	SAR BILLION

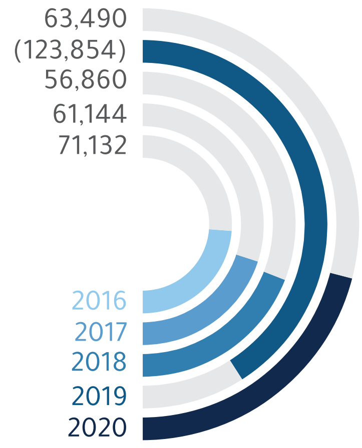
OPERATING REVENUES

Total revenue in 2020 increased by 700% compared to 2019, to reach SAR 200.6 million.



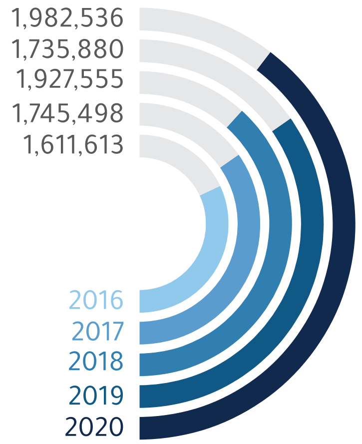
NET INCOME*

Net income / loss before zakat and income tax returned to normal after an increase of 151%, recording SAR 63.5 million.



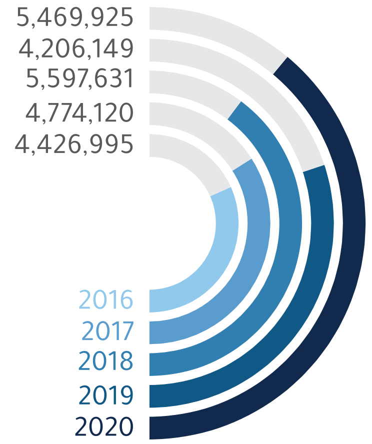
TOTAL ASSETS

Total assets amounted to SAR 1,983 million as of 31 December 2020, registering an increase of 14% compared to the end of 2019.



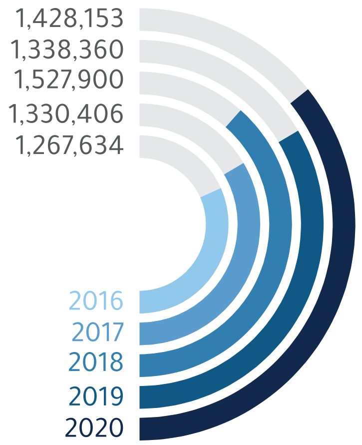
ASSETS UNDER MANAGEMENT

Total assets under management amounted to SAR 5,470 million as of 31 December 2020, up by 30% over the end of 2019.



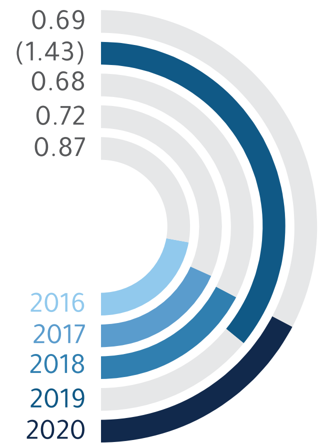
INVESTMENTS

The value of investments increased in the year 2020 by 6.71% compared to the year 2019, to reach SAR 1.4 billion.



EARNINGS PER SHARE

Earnings per share increased by 148% in 2020, compared to 2019, to reach SAR 0.69.



* Before Zakat and income tax

INVESTMENT PORTFOLIO 2020

INVESTMENT PORTFOLIO 2020

CURRENT INVESTMENTS

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	AUM SIZE*
	REAL ESTATE					
1	Alkhabeer US Real Estate Income Fund	Private closed-ended	2 Jul 2014	US	2022	41.67
2	Alkhabeer Real Estate Opportunity Fund I	Private closed-ended	7 Dec 2014	Saudi Arabia	2021	526.97
3	Alkhabeer Real Estate Residential Development Fund II	Private closed-ended	31 Dec 2014	Saudi Arabia	2021	46.85
4	Alkhabeer Hospitality Fund I	Private closed-ended	22 Dec 2016	Saudi Arabia	2021	100.93
5	Alkhabeer GCC Opportunity Company	Private closed-ended	27 Dec 2017	Saudi Arabia	2022	503.29
6	Alkhabeer Real Estate Opportunity Fund II	Private closed-ended	28 Dec 2017	Saudi Arabia	2022	129.13
7	Alkhabeer REIT Fund	Traded Funds	16 Dec 2018	Saudi Arabia	NA	1,718.84

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	AUM SIZE*
	PRIVATE EQUITY					
1	Alkhabeer Healthcare Private Equity Fund I	Private closed-ended	31 Dec 2014	Saudi Arabia	2021	217.69
2	Alkhabeer Education Private Equity Fund I	Private closed-ended	31 Dec 2015	Saudi Arabia	2021	120.49
3	Alkhabeer Industrial Private Equity Company III	Private closed-ended	26 Dec 2017	GCC	2022	373.74
4	Alkhabeer Education Private Equity Fund II	Private closed-ended	30 Dec 2018	GCC	2023	228.19
5	Alkhabeer Education Private Equity Fund III	Private closed-ended	31 Dec 2018	GCC	2023	163.39
6	Alkhabeer Education Private Equity Fund IV	Private closed-ended	31 Dec 2019	GCC	2024	168.50
7	Alkhabeer Education Private Equity Fund 5	Private closed-ended	15 Oct 2020	GCC	2025	176.60
8	Alkhabeer Education Private Equity Fund 6	Private closed-ended	28 Dec 2020	GCC	2025	238
9	Alkhabeer Education Private Equity Fund 7	Private closed-ended	27 Dec 2020	GCC	2025	137.50

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	AUM SIZE*
	CAPITAL MARKET					
1	Alkhabeer Waqf Fund I	Public open-ended	14 Jan 2020	Saudi Arabia	NA	1.79

Private closed-ended Public open-ended Traded Funds

* (SAR millions as of 31 Dec 2020, unless otherwise stated)

EXITED INVESTMENTS

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	EXIT DATE	TOTAL DISTRIBUTIONS (SAR MILLIONS)	RETURN ON INVESTMENT
	REAL ESTATE						
1	Alkhabeer Land Development Fund I	Private closed-ended	1 Jul 2010	Saudi Arabia	10 Mar 2014	306.5	85.10%
2	Alkhabeer Real Estate Fund I	Private closed-ended	1 Nov 2010	Saudi Arabia	19 Oct 2015	121.2	40.54%
3	Alkhabeer Real Estate Fund II	Private closed-ended	1 Nov 2010	Saudi Arabia	30 May 2016	165.6	65.65%
4	Alkhabeer Central London Residential Fund I	Private closed-ended	19 Nov 2012	UK	19 Nov 2018	101.8	**
5	Alkhabeer Saudi Real Estate Income Fund I	Private closed-ended	8 Dec 2016	Saudi Arabia	20 Mar 2019	40.40	(2.27%)
6	Alkhabeer Land Development Fund II	Private closed-ended	7 Dec 2011	Saudi Arabia	31 Jul 2019	164.80	44.66%
7	Alkhabeer Residential Real Estate Development Fund I (MASAKEN I)	Private closed-ended	29 Dec 2012	Saudi Arabia	29 Dec 2020	66	**

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	EXIT DATE	TOTAL DISTRIBUTIONS (SAR MILLIONS)	RETURN ON INVESTMENT
	PRIVATE EQUITY						
1	Alkhabeer Industrial Private Equity Fund II	Private closed-ended	29 Dec 2013	UAE	24-Dec-17	201.1	54.72%
2	Alkhabeer Industrial Private Equity Fund I	Private closed-ended	31 Dec 2012	UAE	31-Dec-19	140,51	8.08%
3	Alkhabeer SME Fund I	Private closed-ended	28 Dec 2014	Saudi Arabia	31-Dec-19	2,39	(85%)

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY
	CAPITAL MARKET			
1	Alkhabeer GCC Equity Fund	Public open-ended	03 Jul 2011	GCC
2	Alkhabeer Liquidity Fund "Hasseen"	Public open-ended	12 Feb 2012	GCC
3	Alkhabeer Saudi Equity Fund	Public open-ended	01 Jul 2013	Saudi Arabia
4	Alkhabeer IPO Fund	Public open-ended	03 Dec 2015	GCC, MENA
5	Alkhabeer Global Commodity Fund	Public open-ended	01 Aug 2011	Global

Private closed-ended Public open-ended

* (SAR millions as of 31 Dec 2020, unless otherwise stated)
** The Fund remains under liquidation.

الخبير المالية
Alkhabeer Capital

BOARD OF DIRECTORS REPORT SUMMARY

BOARD OF DIRECTORS REPORT SUMMARY

TO OUR ESTEEMED SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present to you Alkhabeer Capital's Annual Report for FY 2020.

Saudi Arabia's economy contracted significantly during 2020 as the spread of the Coronavirus (COVID-19) pandemic hit the Kingdom's oil and non-oil GDPs. The drop in global oil demand due to the imposition of social distancing measures by many governments, had a severe adverse effect on oil prices. Consequently, the real GDP contracted by 7% in Q2 2020.

Notwithstanding, Saudi capital markets witnessed a positive year, becoming a leading regional market player, which contributed to increased listing of companies and expanded investment offerings, with Tadawul All Share Index (TASI) recovering towards the end of the year.

Meanwhile, the Saudi Ministry of Finance is projecting a recovery of the real GDP in FY 2021, to grow by 3.2% amid expectations that economic activities would gradually recover, and economic growth restored at a solid pace, in parallel with the successful vaccine rollout and the significantly increased vaccination rates. The Saudi leadership has made healthcare its top priority. The precise uniform treatment protocol developed by a group of Saudi experts at the Ministry of Health, and the expanded tests and active surveys, have all contributed to the restoration of the economic activity, and will reflect positively on GDP growth in 2021.

FINANCIAL PERFORMANCE

Alkhabeer Capital - thanks to Allah - performed well in 2020. In spite of the challenges the Company faced as a result of the COVID-19 pandemic, Alkhabeer's total revenues from its operating activities rose to SAR 200.6 million, favorably affecting the performance of Alkhabeer's real estate and private equity investments. Net income before zakat for the year increased to SAR 63.5 million, and assets under management grew by 30%, to SAR 5.5 billion.

RESULTS OF OPERATIONS

Alkhabeer witnessed many achievements during 2020, as it successfully closed Alkhabeer REIT's Subsequent Offering with an oversubscription of 104% of the total size of the cash offering. In addition, the Company expanded its investments in the education sector by launching three funds to acquire five education companies. The Company also launched a fund which acquired an industrial company in the United Arab Emirates. It also successfully launched Alkhabeer Diversified Income traded Fund, which is the first fund of its kind in the Kingdom, with net subscription totaling SAR 472.8 million over the initial offering period, and an oversubscription of 157% of the Fund's minimum capital.

Alkhabeer also established a Brokerage Department in 2020 to capitalize on recent developments in the domestic and global markets. The creation of this Department supports the Company's plan to launch Alkhabeer's platform for trading in local and international markets' trading platform.

OUTLOOK

The pivotal focus of our strategy revolves around achieving outstanding investment performance in the long term by providing investment offerings to the benefit of our shareholders and clients, and attracting and retaining qualified investment professionals. The Real Estate Investment Department will continue to support its strategy by investing in income generating properties. Meanwhile, the Private Equity Department will continue to source and acquire promising opportunities in appealing sectors to be listed on the Saudi Stock Exchange. The Capital Markets Department will also endeavor to develop new and innovative investment products and expand the launch of closed-ended exchange traded funds. In addition, and further to our establishment of Alkhabeer's Brokerage Department, we will soon be launching Alkhabeer's platform for trading in local and global markets.

Alkhabeer will commence preparing its Initial Public Offering (IPO) file, having learned that the Capital Market Authority (CMA) is now open to considering IPO applications from capital market institutions. We will keep you updated on developments in this respect.

In conclusion, we take this opportunity to express our sincere thanks and appreciation to our shareholders for their continuing support, confidence and trust, and to the members of the Board of Directors for their efforts and contributions to the Company's achievements. We would also like to express our appreciation to our Management and all of Alkhabeer's staff who enabled us to deliver on our promises, thanks to their hard work and commitment in support of our strategy.

Musaad Mohammad Saad Aldrees
CHAIRMAN OF THE BOARD

Ammar Ahmad Shata
FOUNDER AND EXECUTIVE DIRECTOR

الخبير المالية
Alkhabeer Capital

CHIEF EXECUTIVE OFFICER'S REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

The domestic and global economic recession during 2020 was unprecedented since the global financial crisis due to the spread of the Coronavirus (COVID-19), affecting the oil and non-oil sectors of the economy. In spite of the numerous incentives provided by the Saudi Government to protect the national economy from the ill effects of this pandemic and to offset the consequences of the historically low oil prices to restore economic stability, the lingering pandemic remained a primary cause of the economic slowdown in the current reporting period.

Notwithstanding all the challenges we were faced with during 2020, we succeeded in performing well, financially. Alkhabeer Capital's numerous achievements spanning all sectors were made possible by the timely restructuring of many of the Company's business activities and the development of its product offerings, which contributed to achieving these outstanding results, thanks to Allah, and to the efforts and professionalism of our staff members.

FINANCIAL PERFORMANCE

The Company achieved strong and solid financial results for 2020, where assets under management reached SAR 5.5 billion, a growth of 30% YoY. Total revenues from operating activities increased 700% YoY to SAR 200.6 million, while the Company's investments increased to SAR 1.4 billion, which is up by 7% compared to the previous year. Net operating income grew 226% YoY to SAR 97.4 million, enabling the Company to increase its net income before zakat for the year by 151% to SAR 63.5 million, compared to 2019.

BUSINESS HIGHLIGHTS

Our ongoing business development efforts in 2020 culminated in many notable achievements. Despite the challenges caused by the COVID-19 pandemic, our retail client base grew by 8%, and our repeat business reached 32% as at the end of 2020, highlighting the level of satisfaction of our existing clients.

Alkhabeer's Real Estate Investment Department witnessed significant activity during the year. In June, we received CMA's approval to increase the total asset value of our Alkhabeer REIT Fund by 70% to SAR 1,707 million, to acquire new real estate assets, expand the Fund's asset base and diversify the Fund's sources of income. This impacted favorably on the Fund's performance and results and assured our investors of our ongoing commitment to maximize value proposition. In August, we successfully closed Alkhabeer REIT's subsequent offering, which was oversubscribed by 104% of the total size of the cash offering. Also, in September, FTSE Russell announced Alkhabeer REIT's inclusion in FTSE EPRA Nareit, a global real estate investment index including over US$ 340 billion in assets. The Fund also won the "Best Islamic REIT 2020" Award as part of the 10th edition of the prestigious Global Islamic Finance Awards. In addition, the Real Estate Department fully exited Alkhabeer Real Estate Residential Development Fund I, and partially exited two other real estate funds.

Alkhabeer's Private Equity Department also scored several notable achievements, including the launch of three new investment funds through which it acquired five education companies in Riyadh, Jeddah and Yanbu. A new Industrial Fund was also launched to acquire a packaging company in the UAE. The Department also received the "Best Private Equity Firm" in the region, as part of the prestigious MEA Finance Awards 2020 programme.

CHIEF EXECUTIVE OFFICER'S REPORT
ALKHABEER CAPITAL
ANNUAL REPORT 2020

ASSETS UNDER MANAGEMENT	GROWTH RATE
5.5	30%
SAR BILLION	COMPARED TO 2019

REVENUES	GROWTH RATE
200.6	700%
SAR MILLION	COMPARED TO 2019

NET OPERATING INCOME	GROWTH RATE
97.4	226%
SAR MILLION	COMPARED TO 2019

NET PROFIT*	GROWTH RATE
63.5	151%
SAR MILLION	COMPARED TO 2019

* Before zakat and income tax

Alkhabeer's Capital Markets Department launched Alkhabeer Diversified Income Traded Fund, a closed-ended Shari'a-compliant investment fund, the first of its kind in the region, with the aim of providing investors with an opportunity to earn current yield by investing in income-generating assets. We successfully concluded the initial offering of the Fund's units, attracting over 89,000 retail and institutional subscribers, with a net subscription value of SAR 482.8 million and an oversubscription of 157% of the Fund's minimum capital. Assets under management also grew in 2020 by 20.2% YoY, to SAR 1.2 billion.

Alkhabeer also established a Brokerage Department during the year to cater to clients' needs and capitalize on investment opportunities in the domestic, regional and global markets. This step coincides with the ongoing developments in capital markets and the recent innovative investment offerings in the Saudi and global markets, which support the Company's plans to launch Alkhabeer's platform for trading in local as well as international markets.

The Corporate Finance Department received Shari'a-compliant credit facilities for a number of Alkhabeer managed funds, with an aggregate value of around SAR 650 million. The Corporate Finance Department was also mandated to arrange for obtaining credit facilities for a number of entities under management through Alkhabeer's private equity and real estate investment funds.

Moreover, we have, during the year, developed the services we provide to our clients through our Fund Administration and Custody and Operation Department, using state of the art technologies in managing funds and client portfolios, thereby significantly boosting our capacity to continue providing our services accurately during the Coronavirus pandemic.

In terms of our achievements towards providing the best working environment for our human capital, Alkhabeer's departments and committees endeavored to keep the Company's employees informed on the latest developments in relation to the Coronavirus pandemic, and applied precautionary measures to contain the spread of the virus. A guide was also published to educate the Company employees on the protocols adopted by Alkhabeer, including working remotely or returning to the workplace. The Business Continuity Committee and the Human Resources Department, in collaboration with the Corporate Communications and Public Relations, organized educational lectures on COVID-19 awareness and preventive measures.

Our efforts to improve and maintain our workplace were crowned by Alkhabeer ranking first as the "Best Workplace for Saudi Citizens" in the Private Sector, and third among all companies in the private and public sectors in the Kingdom of Saudi Arabia in 2020, according to the "Great Place to Work® - Middle East" Institute, the leading global workplace culture authority on the review and classification of workplaces. Alkhabeer also ranked first as the "Best Workplace for Women" in 2020 in the GCC's financial sector, and the second among all companies. It was also ranked by the Institute in the second place as the "Best Place to Work in the Middle East" in the financial sector, and the ninth among all companies.

In addition, Alkhabeer Capital received many international awards and certifications in 2020, including the "Best Investment Management Firm" award in the Kingdom of Saudi Arabia, as part of the prestigious MEA Finance Awards 2020 programme. It also received ISO/IEC 270001:2013 certification, issued by the UK certification agency Bureau Veritas, in recognition of Alkhabeer's leadership in implementing the best information security processes and practices, making it one of the first independent investment companies in the Kingdom to receive this certification.

OUR STRATEGY FOR 2021 AND BEYOND

The Kingdom's Vision 2030 represents a major transformation of the Saudi national economy, ushering a promising future given its tried and tested reforms which have proven effective during the Coronavirus pandemic, bringing about resilient economic changes capable of enduring the crisis. Undoubtedly, the Kingdom's continued enhancement of its economic reforms will undoubtedly contribute towards the creation of a business-friendly investment environment in all sectors, and provide new investment opportunities in the years to come.

In spite of the persistent turbulent economic conditions this year due the Coronavirus pandemic, we believe that our enhanced business model is robust and capable of adapting to change, steering us forward through investing in the right opportunities in line with our strategic priorities. Despite these challenges, we remain confident that we will reach decent levels of profitability in 2021 by diversifying our investment offerings, expanding our client base and boosting our digitization initiatives to provide various financial services to our clients.

The Real Estate Department will continue to pursue an expansionary investment approach striving to benefit from opportunities to acquire income generating real estate assets in order to expand the real estate investment traded funds (REITs) programs through which Alkhabeer seeks to increase its assets under management to record levels.

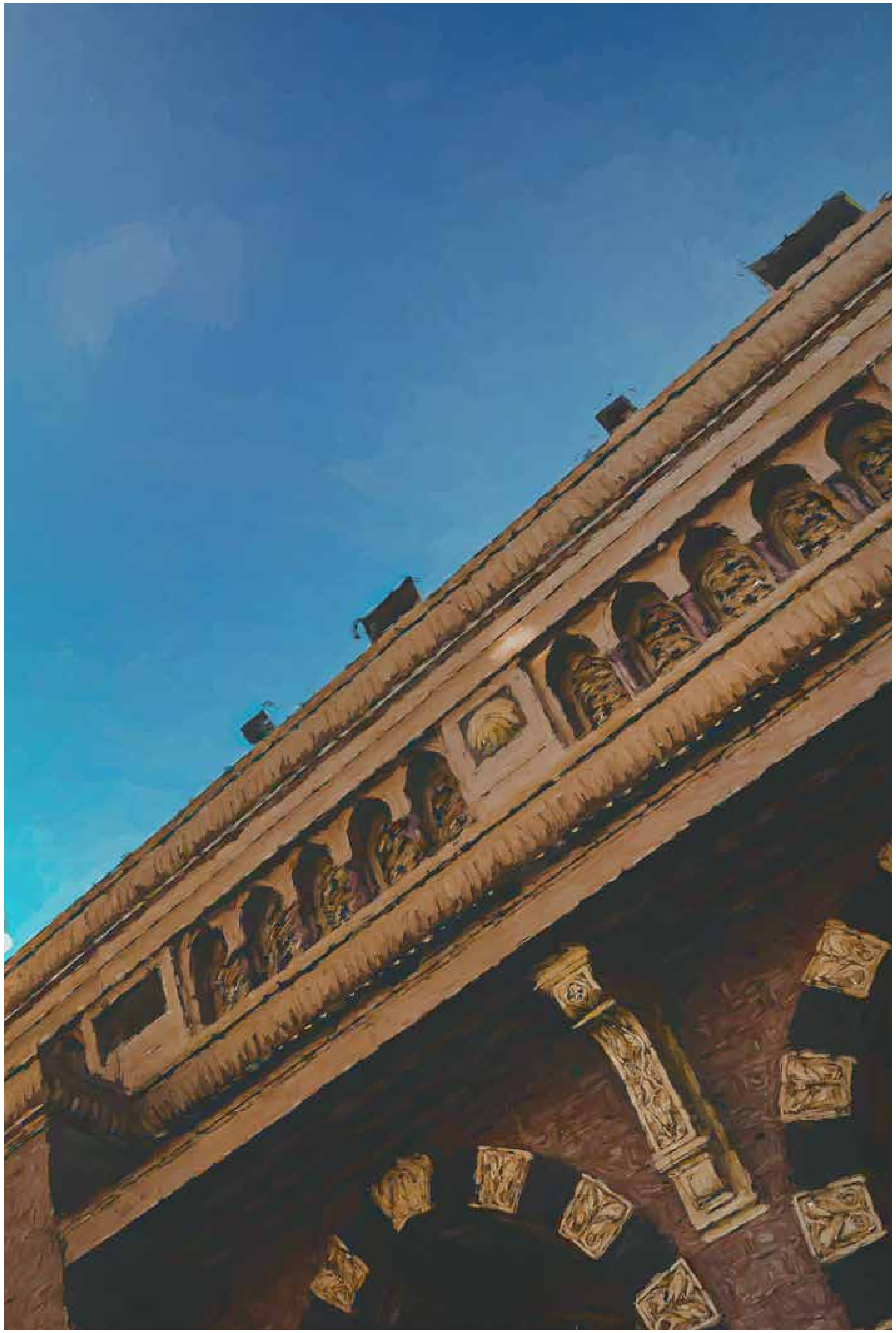
The Private Equity Department will endeavor to consolidate the existing education platform under the umbrella of a company held by one of Alkhabeer's education funds, with the goal of exiting the education platform by way of an IPO in the Parallel Market (NOMU) by Q4 2021, in addition to our plan to exit our investments in the healthcare sector by offering and listing them on the Parallel Market (NOMU) during 2021. The Department will also create an industrial portfolio to be listed on the Tadawul or NOMU. Additionally, we will continue to invest in promising opportunities to acquire eligible companies which can be listed on the Saudi Primary and Parallel Exchanges.

In addition, the Capital Markets Department will continue to work in collaboration with global and regional investment managers to develop new innovative investment products to expand its offerings and listing of closed-ended investment traded funds on the Saudi Stock Exchange.

The Brokerage Department will, on its part, work on launching Alkhabeer's platform for trading in local and global markets, targeting equity and debt markets, derivatives and currencies, supported by state-of-the-art financial technology system and appropriate financing solutions. This Platform will provide core support to help us achieve the growth we aspire for, in line with our long-term strategy aimed at consolidating our client base, to become a groundbreaking milestone in the evolution of the financial services provided by Alkhabeer Capital.

Finally, I would like to express gratitude and appreciation to our clients, partners and shareholders for the trust they have vested in us, while pledging to continue to endeavor to strike the right balance between sustainable returns and safeguarding the Company's financial position.

Ahmed Saud Ghouth
CHIEF EXECUTIVE OFFICER



MARKET OVERVIEW

MARKET OVERVIEW

ALKHABEER CAPITAL
ANNUAL REPORT 2020

MARKET OVERVIEW

Saudi Arabia's economy contracted significantly during 2020, resulting in a deep recession since the global financial crisis as the novel Coronavirus hit the oil and non-oil sectors of the economy.

The forced shutdown of the Saudi Arabian economy to contain the spread of the virus during the first half of 2020 coupled with the turmoil in the global crude oil market that saw a drop in global oil demand, had a significant impact on the domestic economic activity and Saudi Arabia's fiscal balance. The year 2020 started on a strong footing with the Q1 non-oil GDP witnessing a growth of 1.6%, majorly driven by private sector growth of 1.4%. However, the imposition of partial lockdown and total curfews and suspension of international flights in March 2020 had a strong bearing on Q2 GDP numbers. The real GDP contracted by 7.0% year-over-year led by a 5.3% contraction in the real oil-GDP and 8.2% contraction in real non-oil GDP during Q2 2020. Consequently, a sharp contraction was witnessed in the various real non-oil sectors in H1 2020 including other manufacturing activity (-6.6%), community, social and personal services (-4.5%), construction (-1.3%), wholesale, retail trade, restaurants and hotel activities (-6.7%) and transport, storage and communication activities (-6.1%) respectively.

Saudi Arabian authorities implemented several measures to cushion the economy against the impact of the dual blow of the Coronavirus pandemic and lower oil prices. These included the announcement of fiscal packages, monetary and fiscal stimulus, exemptions and deferral of payment of fees and taxes amongst others that helped Saudi Arabia to maintain the economic stability in the country. Some of the notable measures implemented by the Saudi Arabian authorities in 2020 include:

- Announcement of fiscal packages of SAR 120 billion by the Ministry of Finance in March 2020, aimed at reducing the impact of Coronavirus on the economic activities.
- Reduction of 2020 budgeted expenditure by SAR 50 billion or around 5%, by reducing allocations to the sectors that were least affected by social or economic impact of Coronavirus.
- Reduction of interest rates twice in Q1 2020 to be in tandem with US Federal Reserve's decision to cut rates to support the banking sector and the economy against the impact of Coronavirus. Resultantly, SAMA cut its official repo rate by 50 bps on March 3rd and by a further 75 bps on March 16th - bringing the rate to 1.0%, its lowest level ever.
- Tripling of value-added-tax (VAT) from 5% to 15% from July 1st, 2020 to support Saudi Arabia's revenues from the non-oil sector.
- Increase of customs duties for a number of goods starting from June 2020.
- Suspension of cost-of-living allowance for state employees from 1 June 2020.

Despite, the unprecedented challenges, the Saudi Arabian economy showed some signs of recovery in Q3 2020 with data pointing to a smaller contraction than in the Q2 2020, as businesses reopened at a limited capacity and typical consumer activities slowly regained confidence. Furthermore, PMI data showed that non-oil private sector activity expanded for the third straight month in November hinting that economy recovery was steadily gaining a foothold. Against concerns about a risk from the second wave of infections due to winter, Saudi Arabia launched its vaccination campaign with more than 150,000 people registering in a day to get the vaccine. Besides, the Kingdom also resumed Umrah pilgrimage with limited capacity starting from Q3 2020 in a bid to revive the non-oil sector economy after a pause of seven months. According to the Ministry of Finance, the above factors have contributed in the projection of improved economic performance in H2 2020 and are expected to help the economy register a lower drop for the full year as against earlier expectations.

As per the preliminary estimates released by the Ministry of Finance (MoF) the Kingdom's real GDP is projected to contract by 3.7% in 2020, due to the decrease in the Kingdom's economic activity. The MoF further forecasts that in FY 2021, the real GDP would rebound to 3.2% amid expectations that economic activities would gradually recover by next year, on account of the developments mentioned earlier. Furthermore, efforts taken by the Government of Saudi Arabia to enhance the role of the private sector, support small and medium sized enterprises and implement structural reforms as part of Saudi Mission 2030 programs is expected to drive growth in the Saudi Arabian economy in 2021. As per the IMF, it projected Saudi Arabia's gross domestic product (GDP) to shrink by 5.4% this year but to bounce back to a 3.1% growth in 2021.

Details into the print on the real GDP indicate that the Kingdom's economy showcased an improvement in Q3 2020, contracting by 4.6% to SAR 621.4 billion, compared to SAR 651.4 billion during the same period last year, and compared to the 7% contraction in the previous quarter. The oil sector GDP declined by 8.2% year-over-year to SAR 249.1 billion in Q3 2020, contributing 40.1% to the GDP. Besides, the non-oil sector's GDP declined by 2.1% YoY to SAR 368.1 billion in the same period, contributing around 59.2% to the Kingdom's GDP. In comparison to the previous quarter,

Economic growth recorded the highest in government services (1.8%) in Q3 2020, followed by real estate activities (1.6%) and other mining and quarrying activities (1%).

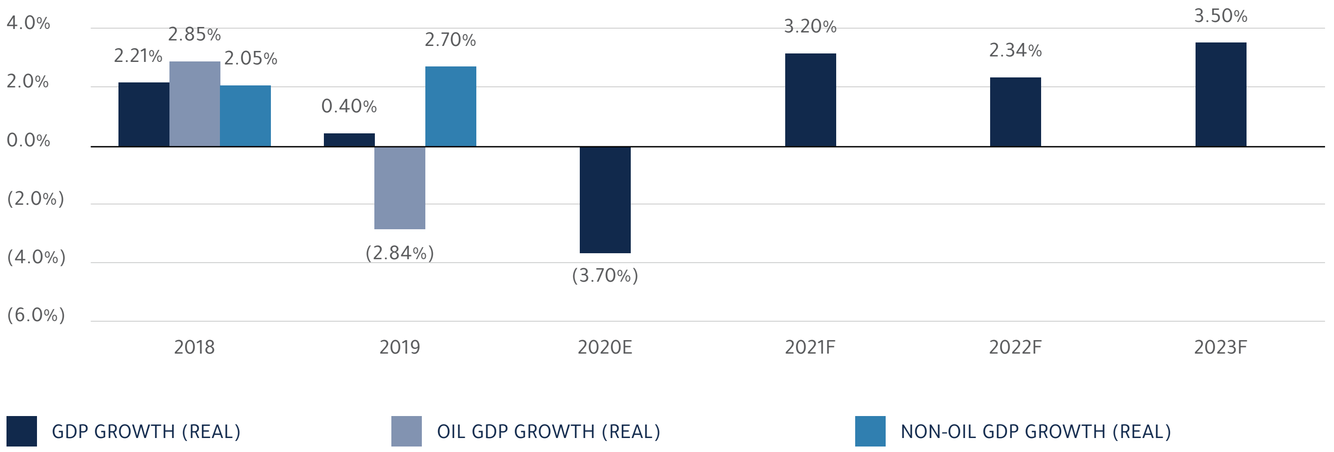
Non-oil sector PMI remained in the contractionary territory during H1 2020, with the index touching 42.4 in March 2020, its lowest level since the survey began in August 2009, underpinned by widespread business closures and a sharp reduction in customer demand amid the spread of global COVID-19 pandemic. However, the Saudi Arabian economy started recovering steadily from the impact of the COVID-19 pandemic in the second half of 2020, with the PMI rising to 54.7 in November 2020. The growth was primarily aided by increase in output driven by sales and improvement in employment conditions in the Kingdom amid encouraging vaccine news and sharper demand growth.

After witnessing deflationary pressure for the entire year in 2019 (with -2.1% inflation rate), Saudi Arabia's inflation rate is expected to reach 3.7% in 2020 before retracting back to 2.9% in 2021 and 2.0% in 2022 as per the latest figures published by the Ministry of Finance. Impact of different shocks on the supply and demand sides, due to increase in Value Added Tax (VAT) rate from 5% to 15% starting from July 2020 and the increase in customs duty on some products from 0.5% to 15% starting from June 2020 has resulted in an increased inflation rate estimate for 2020. The Ministry of Finance expects that the impact of the measures taken in 2020 would diminish by the end of H1 2021, thereby resulting in lower inflationary pressure in 2021 and 2022, respectively. Meanwhile, the Consumer Price Index (CPI) increased to 5.8% in November 2020 compared to the same period last year. The rise in inflation primarily originated from increase in the prices of Food and Beverages (+13%) and Transport (+8.0%).

Labor market bore the brunt of the current pandemic, as reports indicated that about 400,000 Saudis and expats left the labor market in Q2 2020. The unemployment rate among Saudi citizens rose to 15.4% in Q2 2020, hitting its record high level, from 11.8% in Q1 2020 according to Saudi General Authority for Statistics. On a YoY basis, the unemployment rate increased by 3.1% in Q2 2020 from Q2 2019. The total number of employed individuals across the Kingdom stood at 13.63 million in Q2 2020. Males accounted for 82%, or 11.16 million of total labor force, while females represented 18%, or 2.47 million. Meanwhile, employed expats accounted for nearly 10.46 million, representing 76.7% of the total employees, while nationals accounted for 23.2%, or 3.17 million.

In September 2020, the General Organization for Social Insurance (GOSI) announced an approval to extend support for Saudi workers in private sector establishments that are still affected by COVID-19, through the unemployment insurance system (SANED), for an additional period of three months.

SAUDI GDP GROWTH



Source: General Authority for Statistics, Ministry of Finance

SAUDI ARABIA CONTINUES TO DIVERSIFY ITS TOURISM SECTOR WITH THE ANNOUNCEMENT OF A SERIES OF "GIGA PROJECTS"

Saudi Arabia's Vision 2030 blueprint aims to transform the Kingdom into a global tourism destination that would support the nation in the development of new sources of income and creation of new jobs. It strives to reduce the Kingdom's dependency on traditional industries that are largely reliant on oil. The tourism sector plays an important role to accomplish this transformation and the giga projects that are being built are critical to increase the tourism sector revenues, from the current 3% of GDP to 10% of the GDP by 2030. Some of the main Giga projects that Saudi Arabia has been working on in 2020 include Diriyah Gate Development Authority's (DGDA's) pipeline of projects, Neom - the Futuristic high-tech city, Qiddiya - the leisure, entertainment and theme park focused development, the Red Sea Development Company - a sustainable transformation of go-island archipelago and Amaala - a premium wellness, cultural and real-estate offering.

The introduction of Visa scheme in 2019 attracted large number of tourists to the Kingdom from the countries, which had a visa-scheme in place including the US and the UK. However, the measures implemented by the Kingdom on account of the pandemic has brought an abrupt halt to tourist arrivals in the nation. With the recent news of vaccine rollout, the tourism sector is expected to receive a boost as consumers regain confidence. Despite the tumultuous year, the pipeline of projects is largely on track with key focus on local and regional markets initially as the domestic tourism recovers first and then looking up to the global markets once it opens up.

In line with the Kingdom's focus on domestic tourism, Saudi Arabia launched the summer campaign in 2020, which was deemed to be a great success. The campaign was supervised by the health committee, who ensured that the new safety norms were duly followed. Resultantly, more than 8 million people travelled around 10 destinations that were opened up in the summer, leading to a domestic income of more than SAR 8.6 billion. Moreover, the hotel occupancy rates also increased to about 80% over the summer, compared to just 5% earlier in the pandemic.

Furthermore, the government of Saudi Arabia created a USD 4 billion tourism development fund in June 2020 and signed its first deal, with five others in the pipeline before the end of the

year. As per the deal, the fund would collaborate with Al Oula Group to finance the development of a five-star hotel operated by Fairmont Hotels & Resorts Inc., part of a 40,000 square meter waterfront project in the city of Khobar.

As the government plans to reopen its borders to foreign tourists in January 2021, the kingdom is using its presidency of the Group-of-20 biggest economies to facilitate a resumption of global travel. The kingdom aims to attract 25 million tourists annually, adding around SAR 27 billion to the GDP of the country through its tourism sector.

SUPPORTING DOMESTIC ECONOMY AND MAINTAINING FISCAL SUSTAINABILITY REMAINS THE PRIMARY FOCUS OF BUDGET 2021

Economic shock on account of the Coronavirus induced crisis has taken a toll on the Saudi Arabian economy and significantly increased uncertainty surrounding its economic outlook. Considering the difficulty in predicting the time horizon for full recovery from the crisis, the Budget 2021 deems to focus on providing assurance regarding the government's ability to manage the crisis, restore the pace of economic growth, strengthen social benefits and subsidy schemes, and focus on the continuation to offer basic services.

The expenditure is estimated to reach SAR 1,068 billion in FY 2020, an increase of around 4.7% over the approved budget on account of an increase in spending towards the pandemic in FY 2020. Notably, an additional allocation of SAR 159 billion was made to the health care sector in order to support the existing capacity to confront the pandemic and towards accelerated payment of the private sector dues. However, the increased expenditure was partially offset by savings in expenditure worth SAR 111 billion due to cancellation, extension or deferral of budgeted operational and capital expenditures. The 2021 budget ensures continuous spending on mega projects, implementation of the Vision Realization Programs (VRPs), social benefits and subsidy schemes and stimulus packages to support opportunities in the private sector and the development funds to participate in infrastructure projects. The expenditure ceiling for FY 2021 is budgeted at SAR 990 billion or 34.5% of the estimated GDP and SAR 941 billion or 29.1% of the estimated GDP for FY 2023.

The decline in economic activities and reduced revenues amid a drop in global oil prices has enforced the Saudi Arabian government to develop its non-oil sector to ensure sustainability and stability. It is expected that the implementation of initiatives including an increased VAT rate from 5% to 15%, increased customs duties for select products, imposing VAT for real estate acts, exemption of real estate activities from VAT rate, and other initiatives, are expected to provide the necessary resources to implement the economic transformation plans and act as a buffer against fluctuations in oil prices. The total government revenues for FY 2020 are estimated to reach to SAR 770 billion, a decrease by approximately 16.9% in comparison to FY 2019, primarily due to a drop in oil prices. Despite the projected decline in economic activities, the revenues from the non-oil sector are estimated to increase by 7.8% in FY 2020 in comparison to FY 2019 on account of the collection of exceptional profits from government investments. Meanwhile, the budgeted revenues for FY 2021 are expected to reach SAR 849 billion in 2021 and are projected to reach SAR 864 billion by 2022 as per latest update by the MoF.

Tax revenues for 2021 are forecasted to be SAR 257 billion, an increase of approximately 30.8% in comparison to FY 2020 estimates being supported by the realization of the full impact of raising the VAT rate to 15% and increased custom duties on certain goods in 2020. Furthermore, the economic recovery expected in 2020 would positively affect the tax revenues in 2021.

Analysing the budget from the sectorial perspective, education, healthcare and social development and military sectors continued to grab more than half of the total budgetary allocation for 2021. The projected spending of SAR 186 billion on the education sector, along with the SAR 175 billion allocated to the healthcare sector, amounts to a combined 36% of the total budgeted expenditure. The projected expenditure in the military sector stood at SAR 175 billion, which was lower than both 2019 and 2020 level. Meanwhile, allocation to the general items comprising of government pensions, social insurance and subsidies has been increased by 7.4% to SAR 151 billion from an estimated spending of SAR 141 billion in 2020. Capital expenditure for 2021 is forecast to be SAR 101 billion, a decrease of 26.6% in comparison to the previous year. The allocations are expected to be used to fund the various VRPs, development of mega projects and implementation of investment projects in municipal services, health, education, infrastructure, transportation and other sectors.

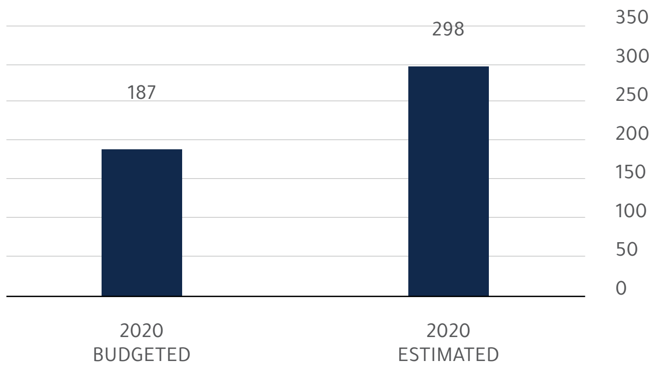
During 2020, the Kingdom's leadership played a critical role to fight against the negative impact of the pandemic, wherein it took several strides in coordination with OPEC+ countries to restore stability in the oil markets. Saudi Arabia strengthened its role in the global markets to adopt the necessary policies to support global economic growth and mitigate the impact of the crisis on less developed countries. On the domestic front the various stimulus packages announced by the country including financial allocations to the most vulnerable private sector activities and support to individuals, companies and investors through direct transfers, financial facilities and deferrals of taxes and fees has resulted in increased estimated Budget deficit for 2020. In line with the developments mentioned above, the Budget deficit for 2020 has been estimated at SAR 298 billion or 12% of estimated GDP, in comparison to SAR 133 billion or 4.5% of the GDP in FY 2019.

The government financed the deficit in 2020 through a combination of domestic and international debt issuances through Sukuk and bonds, along with withdrawals from government deposits and reserves. According to the MoF, the debt issuances are expected to reach SAR 220 billion by the end of 2020. Meanwhile, budget deficit for 2021 is expected to decrease to SAR 141 billion, reaching 4.9% of the Kingdom's estimated GDP. However, the government targets to gradually decrease the deficit to SAR 91 billion or 3% of estimated GDP by 2022, which would enhance the Kingdom's ability to deal with the crisis and maintain economic and fiscal stability in the near term.

Public debt is anticipated to reach SAR 937 billion or 32.7% of GDP in 2021, higher than the estimated SAR 854 billion debt for 2020 and is expected to jump further to SAR 1,026 billion or 31.7% of GDP through 2023. On the other hand, government reserves are expected to decline to SAR 280 billion by 2021 and to SAR 265 billion by 2022, from SAR 346 billion in 2019.

ESTIMATED VS ACTUAL DEFICIT IN 2020

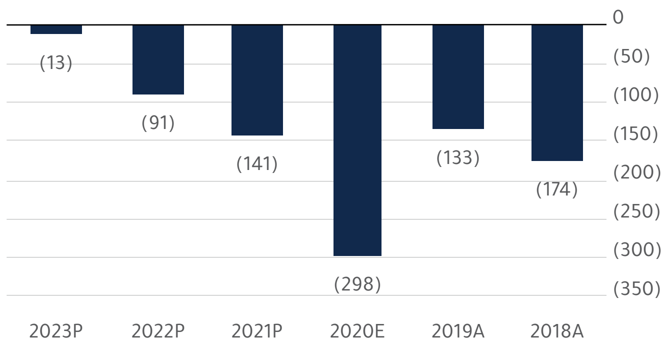
SAR BILLION



Source: Ministry of Finance

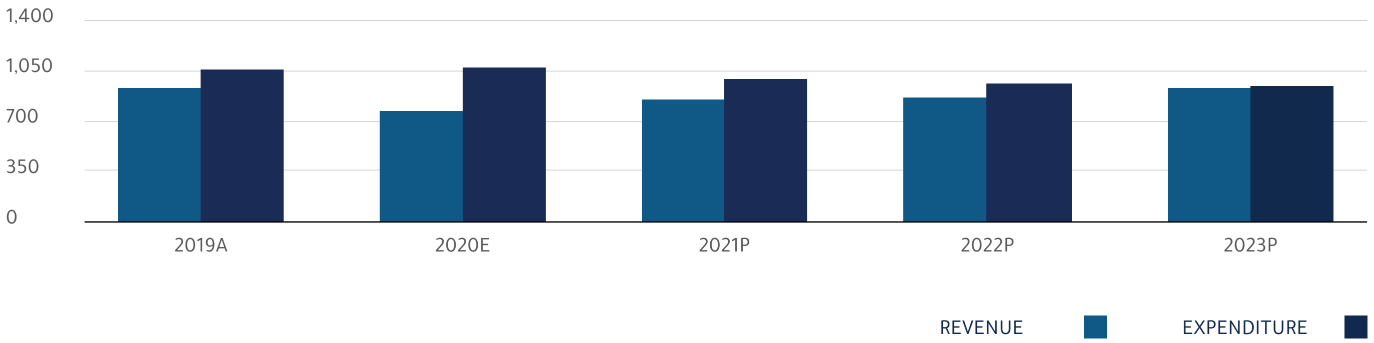
(DEFICIT) / SURPLUS

SAR BILLION



BUDGETED REVENUE AND EXPENDITURE

SAR BILLION



Source: Ministry of Finance

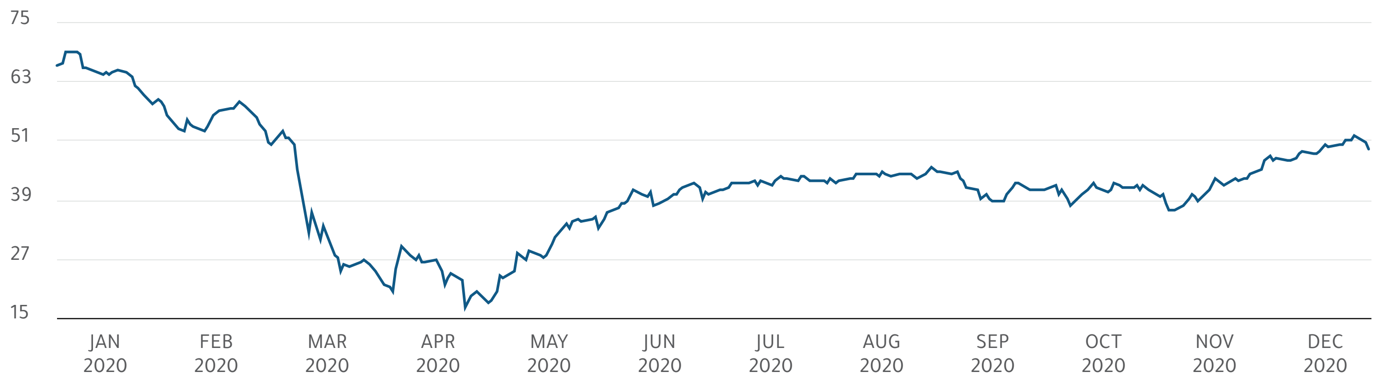
GLOBAL OIL DEMAND WITNESSES A HISTORIC DROP IN 2020 EMANATING FROM THE NOVEL CORONAVIRUS PANDEMIC

The COVID-19 pandemic has caused severe disruption in the oil sector than a majority of the other events in recent history. After plummeting to historic lows in April 2020, the global oil prices partially rebounded in response to steep drop in production, particularly among OPEC and its partner nations. According to the World Bank, while the COVID-19 pandemic is expected to have a long-lasting effect on global oil consumption, its demand would only recover to the pre-pandemic level through 2023. The unpredictable duration of the pandemic remains a major risk factor for forecasting the actual recovery in the oil prices since the risk of a second wave in the Northern Hemisphere and the speed at which the vaccine is distributed remains uncertain. Furthermore, oil markets will also keep a close eye on the US-China tensions and any progress towards ending the protracted trade war between the world's two largest economies that could stimulate slowing global growth and boost demand. Meanwhile, the shale industry is expected to produce 7.44 million barrels per day, down by nearly 20% from its beginning in 2020.

On a positive note, the crude oil prices reached its highest levels in December 2020 since early March, at USD 51.1 per barrel, before the responses to COVID-19 affected the world economies. The increasing optimism relating to the announcement of the efficacy of the COVID-19 vaccine candidates and the increasing prices reflects solid market expectations for economic recovery during 2021 as per the latest report published by the EIA.

BRENT CRUDE OIL SPOT PRICES

USD PER BARREL



Source: Bloomberg

SAUDI ARABIAN CAPITAL MARKET NAVIGATES THROUGH ONE OF THE BEST YEARS IN INVESTMENT HISTORY

While nations across the globe struggled to deal with the economic impact of COVID-19 induced recession, the Saudi Arabia Capital Markets witnessed one of the best years in 2020 by becoming the leading regional market in terms of listing and expanding in terms of investment offerings. Despite the economic shock, falling revenues and profits and general uncertainty amongst corporates, the Tadawul All Share Index (TASI) rose by 4.1% YTD in 2020, following the trend in global financial markets supported by trillions of dollars of stimulus injected aimed at mitigating the overall impact of the virus. The benchmark TASI index recovered sharply at the end of 2020 from its biggest downturn, to steady above the 8,000 point-level for most of the final quarter.

Seventeen sectors of the Saudi index ended the year in the green, with maximum returns recorded in Software & Services (+185.6%) and Consumer Durables & Apparel (63.2%) sectors. Meanwhile, four sectors ended the year in the red, with Commercial and Professional Services (-14.9%) declining the most. The total market capitalization surged to about SAR 9.13 trillion at the end of 2020 from SAR 9.03 trillion at the end of December 2019.

Meanwhile, Saudi Aramco pulled off the largest IPO of all times in December 2019 with its USD 29 billion share sale. Following Saudi Aramco's listing on the Tadawul, the index has emerged as the seventh largest stock market across the globe. The overwhelming concern that enormous floatation of shares would dry up liquidity from the Tadawul markets was proved incorrect. On the contrary companies in Saudi Arabia managed to raise a total of USD 1.5 billion of funds, higher than some of the largest markets in Europe, amid hopes that the Kingdom would get through the pandemic crisis with minimal impact. Notably, Dr. Sulaiman Al-Habib Medical Services Group and the BinDawood Holding were two of the largest listings on the stock exchange in 2020.

Dr Sulaiman Al Habib Medical Group is one of the largest providers of health care in Saudi Arabia, operating hospitals, outpatient clinics, pharmacies and medical labs throughout the kingdom as well as in Dubai and Bahrain. The IPO is the first in Saudi Arabia since state-owned oil company Saudi Aramco raised almost USD 29 billion in December 2019. The Company started trading on the Tadawul stock exchange from 17th March 2020 by floating around 52.50 million shares or 15% of its capital at SAR 50 per share, wherein 90% of the IPO shares were allocated for institutional investors while the remaining 10% were allocated to retail investors. The IPO was subscribed by around 8,270% (83 times) as the Company received investments exceeding SAR 217 billion.

Grocery retailer, BinDawood Holding debuted on the Tadawul stock exchange on 21 October 2020 with its shares being priced at SAR 96, giving the company a market capitalization of SAR 11 billion at the time of listing. The Company floated around 20% of its issued share capital, with around 90% of share allocations being made to institutional investors and 10% to individual investors. The total offering was oversubscribed by approximately 50 times, exceeding SAR 110 billion. Both listings were well in demand and performed strongly in the aftermarkets, raising the potential for further IPOs in 2021. Meanwhile, CMA has approved the listing of 30% stake of Theeb Car Rental Co. during Q3 2020. On the Nomu-Parallel Market, Saudi White Cement began trading as first direct listing on the market. It is also expected that the Tadawul stock exchange will advance plans for its own long-awaited IPO in the course of the year during 2021.

Some of the other developments in the Saudi Arabian Capital Markets include the introduction of a number of trading innovations in 2020. During the year, the Tadawul exchange introduced trading in equity derivatives as part of a strategy to attract more sophisticated foreign investors to trade in Saudi stocks. Instruments such as futures, options and swaps are all part of the regular global investor toolbox as methods of hedging risk and enhancing liquidity. The global investment community strongly welcomed the efforts undertaken by Tadawul in this direction, which can be supported by the increasing proportion of shares held by foreign nationals including other Arab Gulf investors. Besides, Tadawul also introduced its first Derivatives market clearing house, the Securities Clearing Centre Company (Muqassa), which runs on Nasdaq's market technology.

In addition, the exchange also introduced the first exchange-traded derivatives product, MT30 Index Futures, which is based on MSCI Tadawul 30 Index (MT 30). Besides, Saudi Arabia stock exchange plans to introduce an environmental, social or governance (ESG) index in collaboration with global index provider MSCI by Q1 2021. The index is expected to include at least 70 listed Saudi companies and would be as per MSCI standards.

Notably, the Capital Markets Authority in its August 2020 resolution, included allowing residents and non-resident foreigners to invest directly in listed and non-listed debt instruments of the Kingdom. The resolution comes along CMA's strategic goal to develop the capital market "Financial Leadership Program", which is in line with the "Financial Sector Development Program", one of the main programs to achieve Saudi Vision 2030. Moreover, Tadawul in collaboration with IHS Markit has developed a local currency denominated benchmark index, iBoxx Tadawul SAR Government Sukuk and Bond Index and iBoxx Tadawul SAR Government Sukuk Index Series. The main emphasis of these indices is to provide transparency to the Saudi local currency and Saudi Government Sukuk and Bond market performance. The Saudi Arabia's government has approved government assets planned for privatization to be listed on Saudi stock markets through a direct or indirect initial public offering. The privatization drive comes as part of Vision 2030 which has been intended to diversify the Saudi Arabian economy from oil and create jobs for young Saudis.

The REITs market witnessed relatively subdued activity in 2020, with no additional REIT listed on the index, bringing the total number of listed REITs in the Kingdom to 17. The REITs index had a combined market capitalization of over SAR 16 billion at the end of 2020, while the MSCI World Equity Real Estate Investment Trusts Equity REITs Index was down 10%. Furthermore, Saudi REITs offer better investment opportunities amid existing low interest rates environment.

Meanwhile, the market value of listed companies on the Nomu markets has almost quadrupled from its start in 2017 till the end of 2020. In terms of its capped index, the Nomu market closed at 3,140 points in 2017 while it closed at 26,245 points by Q4 2020. As for transactions traded and their values, there were more than 78,000 transactions, while by Q4 2020 transactions executed have reached more than 388,510 with values of shares traded reaching SAR 34.7 million.

PUBLIC INVESTMENT FUND (PIF) CONTINUES TO STRENGTHEN ITS LOCAL AND GLOBAL PRESENCE THROUGH STRATEGIC INVESTMENTS

PIF remains one of the main vehicles in the Kingdom, for boosting investments in domestic as well as global economies, as Saudi Arabia seeks to diversify its oil-heavy economy in line with its Vision 2030. During Q1 2020, the sovereign wealth fund bulked up minority stakes in companies worldwide taking advantage of market weakness triggered by the COVID-19 pandemic. Subsequently, Saudi Arabia's PIF bought USD 8.2 billion worth of new investments in blue-chip companies based in the UK and the US. The new investments were mostly made in companies operating in sectors negatively affected by the market crash due to the Coronavirus pandemic. More than half of the investments went into two sectors, namely: "Travel, Tourism and Entertainment" and "Traditional Energy" or oil companies. Some of the largest investments made by the PIF in 2020 include a holding in UK energy major BP worth USD 827.8 million (8.10% stake) and Boeing valued at USD 713.6 million (6.97% stake). Some of the other investments made by the Fund in 2020 include stakes in Citigroup, Facebook, Marriott International, Bank of America, Walt Disney, Pfizer, Starbucks etc., to name a few. Until the end of 2019, the PIF had investments only in Uber group and Elon Musk's Tesla. However, the plunge in global equity prices in March 2020 allowed the PIF to take advantage of subdued prices. By Q2 2020, the PIF exited its investments in major US corporates including Boeing, Facebook, Mariott and Disney as per the company filings. Moreover, the Fund refocused its investments in exchange-traded funds investing nearly USD 4.7 billion in real estate and utilities sectors.

Notably, PIF made investments worth USD 1.3 billion and USD 1.5 billion respectively, in India based Reliance Retail Ventures Ltd., and Jio Platforms, the digital services subsidiary of Reliance Ltd. India's retail sector is one of the largest in the world and accounts for over 10% of its gross domestic product (GDP), which presents meaningful growth potential for PIF's investments in India's dynamic economy and promising retail market segment. Reliance Retail Limited, a subsidiary of RRVL, services close to 640 million footfalls across its 12,000 stores across the country. Similarly, Jio Platforms, a wholly owned subsidiary of Reliance Industries, is focuses on providing high-quality and affordable digital services across India, with more than 388 million subscribers.

On the domestic front, the PIF announced that it has increased its ownership stake in ACWA Power from 33.36% to 50%. Investment in ACWA Power comes as part of PIF's strategy to support the development of the renewable energy sector within Saudi Arabia. It is expected that ACWA power would play an integral role in the development of PIF's renewable energy program. Meanwhile, Saudi Aramco successfully completed 70% stake acquisition in Saudi Basic Industries Corporation (SABIC) from the PIF, for a total purchase price of SAR 259.13 billion in June 2020. The deal is seen as a win-win for both Saudi Aramco and the PIF, as it enables the former to expand its downstream operations ahead of its IPO, while equipping the latter with capital to implement its ambitious projects to diversify the Kingdom's economy.

Furthermore, Al Elm Information Security Company (Elm) announced the signing of a share purchase agreement to acquire the entire shares (100%) of the Saudi Company for Exchanging Digital Information (Tabadul) from the Public Investment Fund (PIF). The combination of Elm and Tabadul is expected to create an opportunity to leverage complementary strengths, enhance competitiveness and expertise to create a one-stop-shop that will cater to the entire logistics value chain in the Kingdom.

Meanwhile, according to Saudi Arabia's Crown Prince Mohammad bin Salman, the PIF is expected to inject SAR 150 billion annually (USD 40 billion) into the Saudi Arabian economy in 2021 and 2022 respectively, thereby becoming a key growth driver for the Kingdom's expansion.

HEALTHCARE SECTOR SWIFTLY COORDINATED TO COMBAT THE ILL EFFECTS OF COVID-19

The Saudi Arabian economy made several strides to combat the ill-effects of the COVID-19 pandemic. The Ministry of Health designated 25 hospitals, amounting to 80,000 hospital beds - 2,200 of which are to be used for the isolation of suspected/ quarantined cases - and 8,000 intensive care unit (ICU) beds for the treatment of COVID-19 cases. Besides, the Ministry of Health also deployed digital applications such as mobile health applications, telehealth, virtual clinics and robotics to support COVID-19 responses. In April 2020, the Kingdom donated USD 500 million to the World Health Organization to minimize the spread of the disease and support the nations with vulnerable health infrastructures. Additionally, the Kingdom allocated USD 150 million to the Coalition for Epidemic Preparedness and Innovation, USD 150 million to the Global Alliance for Vaccines and Immunizations and USD 200 million to other international and regional health organizations and programs. Moreover, Saudi Arabia signed a deal worth USD 995 million with China to conduct 9 million COVID-19 tests in the Kingdom. As per the deal, equipment and materials were supplied to conduct the required tests in the Kingdom. In addition, around 500 specialized Chinese experts and technicians were appointed to train Saudi healthcare workers. Besides, six mega labs were set up across the Kingdom to test 10,000 people daily. The deal was primarily signed between Saudi Arabia based Nupco and China's BGI group. In November 2020, the Kingdom committed USD 500 million to fund efforts towards development and production of an effective vaccine. However, the Kingdom approved the use of the vaccine, which was developed by the US pharmaceuticals company Pfizer-BioNtech, in December 2020. Moreover, Saudi Arabia became one of the first nations to receive the first batch of the vaccine in December 2020, wherein it plans to vaccinate its 34 million population in a three-phase vaccination program. Furthermore, the Ministry of Health has revealed that the total number of Coronavirus cases in the Kingdom has reached 362,488 as of December 29, 2020, with the number of recovered cases reaching 353,512, representing 98% of total recorded Coronavirus cases.

GOVERNMENT INITIATIVES ARE EXPECTED TO BOOST INVESTMENTS IN SAUDI ARABIA'S REAL ESTATE SECTOR

Saudi Arabia's real estate sector witnessed some bold steps in 2020 undertaken by the government to revive its real estate sector. As part of its strategy to revitalise the economy hit by low oil prices and the COVID-19 pandemic, and to boost real estate deals, the Saudi Government issued an order exempting real estate deals from a 15% value-added tax (VAT) and imposed a new 5% tax on transactions. Furthermore, the government also decided to cut the cost of the new Real Estate Transaction Tax "for up to SAR 1 million (USD 266,616)" for Saudi citizens purchasing their first home. The move is expected to put on track the ambitious target of Saudi Arabia to boost home ownership to 70% by 2030.

According to GaStat, property prices in the Kingdom declined by 0.5% in 3Q 2020, as compared to the same period in 2019, led by the residential segment, where prices fell by 2.1%, followed by a 2.5% dip in the commercial segment. Although the Kingdom has been facing COVID-19 induced economic headwinds, residential sales values have remained relatively stable, though a plunge has been witnessed in the overall residential transactions. Moreover, the exemption of properties from the increase in VAT rates, in addition to lower property tax would support the end-users, property developers and the government to achieve increased participation in the residential real estate sector. Alternatively, the economic recession and the resultant effect on the employment levels is expected to have a short-term effect on the commercial real estate markets. While the growth in commercial retail space might recover as the overall economic growth returns, it is likely that firms might take a varied workplace model post COVID-19 wherein a quantum of space would no longer be required. Especially, concepts such as co-working is expected to suffer the most.

Meanwhile, the Kingdom remained committed to the various housing programmes run by the Ministry of Housing (MOH), while also building tourism infrastructure to reshape the economy in 2020. During the year, the Ministry of Housing initiated Sakani program, finalized around 93 projects providing more than 141,000 housing units, ranging from apartments, villas, and townhouses across various parts of the Kingdom. Notably, more than one million people have benefitted from the Sakani program until 2020. Furthermore, in March 2020, the Saudi Real Estate Development Fund had set aside USD 372.5 million in the Sakani program where USD 106 million had been allocated to support the profits of subsidized real estate contracts, around USD 246.6 million for beneficiaries of the military support initiative and USD 32.4 million for the civilian support initiative.

As part of the PIF's initiative to develop the real estate market of Saudi Arabia, a new Real Estate subsidiary namely "Roshn", which has been set up to help meet increasing local demand for housing in the country. Roshn aims to increase strategic partnerships with real estate investors and support the development of the contracting sector through the adoption of modern and innovative technologies. It is expected that Roshn would focus on nine cities in four main regions, including Riyadh, Eastern Province, Mecca and Asir.

The REIT IPO activity remained muted during the year with no new REIT being listed on Tadawul, as compared to nine REIT listings witnessed in 2018.

In our opinion, government measures aimed at increasing home ownership among Saudi citizens and its focus on the development of the Kingdom's real estate sector as part of the ongoing economic diversification process, will stimulate the real estate market over the medium to long-term. Moreover, the launch of international tourist e-visas, construction of various giga projects and smart cities across the Kingdom would support the Kingdom's real estate sector and drive investments going forward.

RESILIENT REFORMS WOULD REVIVE ECONOMIC ACTIVITIES AND INVESTMENTS IN THE KINGDOM

The dual shock of the COVID-19 pandemic and the historic low global oil prices had an unprecedented effect on the Saudi Arabian economy during the first half of 2020. Against the backdrop of COVID-19 pandemic, there exists a significant level of uncertainty surrounding the country's economic outlook in 2021. However, it is expected that the government efforts to manage the crisis situation would likely restore the pace of economic growth and strengthen social benefits, as it continues to provide basic services to its nationals. Notably, Saudi Vision 2030 would signify a major transformation in the Kingdom and lead to the beginning of a new future. It has been the tried and tested reform during the pandemic, which has brought about resilient changes in the Saudi Arabian economy during the crisis situation. The Kingdom's investment in technological infrastructure enabled the government and private sector to respond quickly and move seamlessly to a working-from-home environment. Moreover, the development of the non-oil sector during the past years compensated for the plunge in global oil prices. These reforms have helped cushion the Saudi Arabian economy against the ill effects of the pandemic to a large extent. In addition, the rollout of Pfizer-BioNTech vaccine in December 2020 is expected to reduce economic uncertainty in the country.

Going forward, we expect the Kingdom to continue its raft of social and economic reforms, which we believe will enhance the image of the Kingdom globally and open new markets for local businesses. In addition, it would unlock new investment opportunities in the years to come.

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Alkhabeer Capital

REVIEW OF ACTIVITIES AND OPERATIONS

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ASSET MANAGEMENT DIVISION

The Asset Management Division seeks to provide diversified investment solutions that respond to the needs and desires of investors in both the medium and long term, through our public and private investment funds and our investment portfolios, in accordance with Islamic Sharia regulations and the highest levels of governance with high returns compared to other funds, taking into account the associated risks.

Our current portfolio of 17 funds and an investment company targets investment categories in order to achieve diversification of investment opportunities for our clients by distributing their investments over various sectors and different geographical areas.

The Asset Management team continues to monitor the economic conditions and investment opportunities available in the market in order to develop new investment solutions that meet the changing needs of our clients.

2020 HIGHLIGHTS

- Total assets under management (AUMs) grew by 31.5% YoY to SAR 5,529 million.
- Successfully completed Alkhabeer REIT Fund's additional offering with the aim of acquiring three new real estate assets.
- Acquired a company in the packing industry in the UAE to increase the size of Alkhabeer funds which focus on investing in the industrial sector.
- Launched three private equity funds to expand Alkhabeer's Education Portfolio which now includes around 21,500 students.
- Exited Alkhabeer Real Estate Residential Development Fund I in December 2020.
- Partially exited Alkhabeer Real Estate Residential Development Fund II and Alkhabeer Real Estate Opportunity Fund II.
- Successfully closed the Initial Offering of Alkhabeer Diversified Income Traded Fund.
- The number of Discretionary Portfolio Management (DPM) accounts for Capital Markets grew by 31%.
- Received the "Best Investment Management Firm" in the Kingdom of Saudi Arabia, as part of the MEA Finance Awards 2020 programme.

REAL ESTATE DEPARTMENT

Our investment philosophy is built around our deep understanding of the varying needs of our investors with different degrees of investment risks and target returns. Investment opportunities are created using extensive research, a deep understanding of real estate fundamentals, and meticulous valuation processes of the different investment components.

Real estate investments comprise a large portion of Alkhabeer Capital's investment portfolio with over SAR 3.5 billion in AUM across seven investment funds.

2020 HIGHLIGHTS

- Completed the additional offering of the "Alkhabeer REIT" on August 2020, and accordingly completed the acquisitions of three new assets in Riyadh with a total value of SAR 689 million. The total assets value increased to SAR 1.7 billion, as of 30 September 2020.
- On September 2020, Alkhabeer REIT was included in the FTSE EPRA Nareit Global Real Estate Index, specialized in Real Estate Investment Funds (REITs) and real estate companies.
- Successfully completed the exit of "Alkhabeer Real Estate Residential Development Fund I" on 29 December 2020 through the sale of all residential villas developed by the Fund (NAV at exit: SAR 58.7 million).
- Continued the partial exit of "Alkhabeer Real Estate Residential Development Fund II" through the sale of residential villas and "Alkhabeer Real Estate Opportunity Fund II" through the sale of land plots owned by the Fund.
- Alkhabeer REIT has won "Best Islamic REIT 2020" award as part of the 10th edition of the prestigious Global Islamic Finance Awards.

PRIVATE EQUITY DEPARTMENT

The Private Equity Department works closely with the senior management teams of our investment portfolio companies to optimize operating and financial value. We invest in targeted deals through specific opportunities funds that are seeded by significant proprietary capital provided by Alkhabeer Capital that achieve competitive returns compared to similar investment products available in the market.

Our private equity investment services target several sectors, including education, healthcare and industrial. Our investment funds achieve sustainable returns for our clients as a result of the efficient distribution of capital to different market segments in order to achieve various investment goals.

2020 HIGHLIGHTS

- Launched three private equity funds: "Alkhabeer Educational Private Equity Fund 5", "Alkhabeer Educational Private Equity Fund 6" and "Alkhabeer Educational Private Equity Fund 7", in continuation of the Company's plan to establish an educational platform that includes all educational companies.
- Acquired an 87.5% stake in Rowad Yanbu Company, owner of Rowad Yanbu for Boys and Ra'edat Al Sharq for Girls Private Schools in Yanbu, and acquired a 100% stake in Academic City Schools Company, owner of Academic City Schools in Riyadh, and acquired a 100% stake in Al Raedah for Education Development Company, owner of Asrari Schools, and Al Maseef Education Company, owner of Dar Al Bara' Schools in Riyadh, and acquired a 100% stake in Dar Al Thaqafa Company, owner of Dar Al Thaqafa Schools for Boys in Jeddah.
- Acquired a 100% stake in Gulf Packing Factory in Dubai, UAE by Alkhabeer Industrial Private Equity Company - III Limited.
- Received the "Best Private Equity Firm" in the region, as part of the MEA Finance Awards 2020 programme.

CAPITAL MARKETS DEPARTMENT

The Capital Markets Department provides a wide range of investment management services to a diverse client base through its portfolio management platform. The Department also develops innovative products to provide clients with the opportunity to achieve periodic returns

by investing in income generating assets that vary across different categories including Sukuk, trade financing, leasing transactions, income funds and Murabaha transactions, in multiple sectors in local, regional and international markets.

2020 HIGHLIGHTS

- In 2020, Assets Under Management (AUMs) saw an annual increase of 20% as compared to 2019, to reach SAR 1.2 billion.
- During 2020, the Capital Markets Department received CMA's approval to launch the first closed-ended traded investment fund in the region. Alkhabeer Diversified Income Traded Fund raised SAR 472.8 million through its Initial Offering which attracted over 89 thousand investors. The Fund was listed on Tadawul in early 2021. It aims at investing in Sukuk, Trade Financing, Leasing, Income Funds and Murabaha transactions.
- The number of Discretionary Portfolio Management (DPM) accounts for capital markets grew by 31%.

PRODUCT DEVELOPMENT DEPARTMENT

The Product Development Department plays a strategic role in all investment phases. The Department develops and structures new investment opportunities that have been identified by fund managers, into innovative investment solutions and products.

It also supports fund managers in relation to new acquisitions, fund exits, terminations and liquidations.

Additionally, the Department ensures that products are developed and managed in a Shari'a compliant manner through effective coordination with the Shari'a Advisor.

2020 HIGHLIGHTS

- Supported the development of Alkhabeer Diversified Income Traded Fund, and obtained CMA's approval on the offering of its Units. It is the first closed ended traded investment fund of its kind to be launched in Saudi Arabia. Its Units started trading on Tadawul in early 2021.
- Structured and developed the subsequent offerings for two private equity funds: Alkhabeer Education Private Equity Fund III and Alkhabeer Education Private Equity Fund IV.
- Structured and developed three private equity funds that invest in education: Alkhabeer Education Private Equity Fund 5, Alkhabeer Education Private Equity Fund 6 and Alkhabeer Education Private Equity Fund 7. These funds will form part of Alkhabeer's Educational Platform.
- Supported and closed the first capital increase of Alkhabeer REIT Fund.

Alkhabeer Capital الخبير المالية

REVIEW OF ACTIVITIES AND OPERATIONS

BROKERAGE DEPARTMENT

During 2020, we established a Brokerage Department in the Company, to meet the aspirations of our clients, and in order to benefit from the investment opportunities offered by the local, regional and global markets, as this step coincides with the development of the financial markets and investment products in the Saudi and the global markets in recent times.

During the year, the Department worked on structuring the brokerage business and services that we will provide to our clients, and coordinate with a team of strategic partners to achieve our vision of competing strongly in this field.

During 2021, the Department will work on launching Alkhabeer Brokerage Platform, as it will provide institutional and individual investors with the opportunity to trade shares in the local, regional and global markets, in addition to debt instruments and derivatives. The platform will be supported by financing products that are in line with the aspirations of all types of investors and equipped with the latest specifications. The unique and distinctive technology is based on artificial intelligence initiatives aimed at improving the level of the targeted service. The launching of Alkhabeer Global Trading Platform will be the main component of the Brokerage Department's business.

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Alkhabeer Capital

REVIEW OF ACTIVITIES AND OPERATIONS

CORPORATE FINANCE DEPARTMENT

The Corporate Finance Department provides comprehensive financing services to cater to the needs of its clients, capitalizing on its relations with a multitude of financers, investors and other capital providers, such as banks, investment funds, sovereign entities, private equity companies and family offices.

We focus on providing Shari'a-compliant finance structures tailored to the needs of our clients, relying on our knowledge and expertise in availing the right innovative structures to arrange financing.

2020 HIGHLIGHTS

- The Corporate Finance Department has arranged Shari'a-compliant financing for a number of Alkhabeer Capital funds with an estimated value of SAR 650 million.
- The Corporate Finance Department was appointed to arrange Shari'a-compliant financing for a number of companies managed by Alkhabeer Capital through its real estate and private equity investment funds.

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Alkhabeer Capital

REVIEW OF ACTIVITIES AND OPERATIONS

FUND ADMINISTRATION, CUSTODY & OPERATIONS DEPARTMENT

The Fund Administration, Custody and Operations Department offers comprehensive and integrated services similar to that of the largest management services companies. The Department treats the clients with meticulous attention to detail and provides high-quality service levels that constitute a natural extension of their business.

By incorporating effective processes and technical competence, we deliver customized solutions for each client. This is accomplished by combining a process-driven approach with exceptional professionals and state of the art technology. As a result, we consistently deliver quality work on a timely basis. Our specialized in-house accumulated experiences cover private equity, real estate, income-generating assets, equities, and money market funds, in local and international markets.

2020 HIGHLIGHTS

- Automated all administrative services of the various types of funds, capitalizing on our broad experience in differing financial instruments for the purposes of providing investment accounting services, recording and settling trading transactions, valuation of portfolios, and performance reporting.
- Implemented a total and comprehensive approach to regulatory reporting service, including - without limitation - Tadawul reports, monthly public fund reports to CMA, quarterly public and private fund reports to CMA, and client discretionary portfolio management reports.
- Automated the distribution of quarterly discretionary portfolio management reports to clients using the Investment Portfolios and Funds Management System.
- Automated the distribution of the annual report to unitholders of different funds managed by Alkhabeer Capital, using the Investment Portfolios and Funds Management System.
- Improved the reports of the Investment Portfolios and Funds Management System in line with client and regulatory requirements.

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Alkhabeer Capital

REVIEW OF ACTIVITIES AND OPERATIONS

BUSINESS DEVELOPMENT AND PLACEMENT DIVISION

The Business Development & Placement (BDP) team offers Alkhabeer's investment products in Saudi Arabia and other GCC states. Our BDP team is able to draw on their extensive knowledge and outstanding investment relationships to bolster confidence and strengthen communication with our clients, comprising high-net-worth individuals, family offices and institutions.

In addition, the team continuously communicates with clients on a regular basis to inform them the progress of their investment portfolios and provide them with periodic reports on the latest developments in local, regional and international investment markets, the prevailing investment environments, and available investment opportunities in the various markets.

2020 HIGHLIGHTS

- Grew our retail client base by 8%. The offering subscription amounts were divided as follows: 58% individual investors and 42% family offices.
- Subscription amounts by asset classes were distributed as follows: 77% capital markets, 1% private equity and 22% real estate investment.
- Repeated business reached 32% by the end of 2020, reflecting the level of satisfaction of our existing clients.

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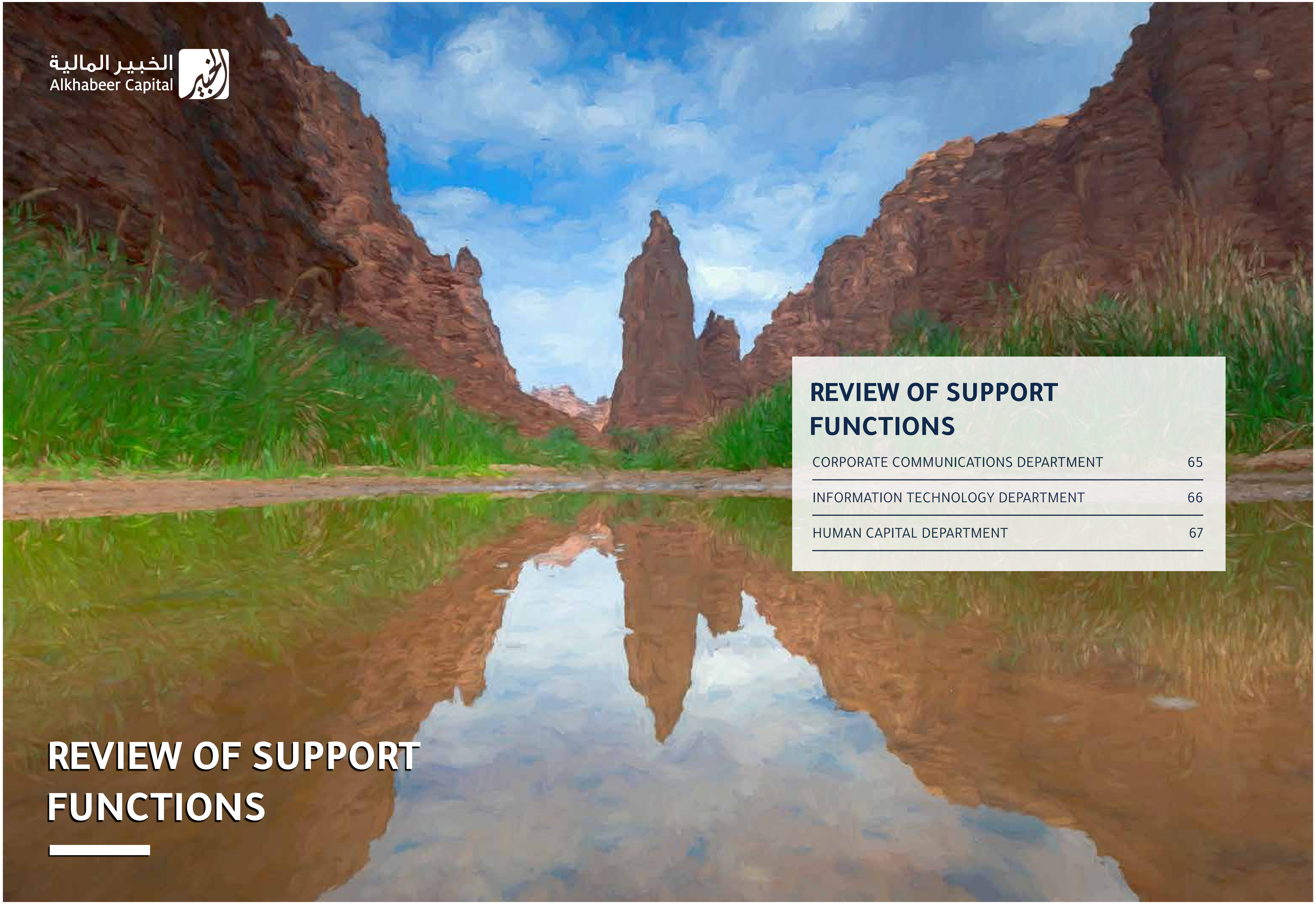

REVIEW OF SUPPORT FUNCTIONS

REVIEW OF SUPPORT FUNCTIONS

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Alkhabeer Capital

REVIEW OF SUPPORT FUNCTIONS

CORPORATE COMMUNICATIONS DEPARTMENT

The Corporate Communications Department at Alkhabeer Capital plays a strategic role in marketing the Company's products, especially the products offered to the general public, in addition to its media role in managing public relations for the Company's brand and highlighting its leading position through media and social media.

The Department aims to keep the staff members informed about the latest developments in business, and it is also responsible for assisting the companies owned by the Company's funds in developing and implementing marketing and media plans in order to increase the added value of the Company's investments.

2020 HIGHLIGHTS

- The Corporate Communications Department has launched a marketing campaign for the additional offering of Alkhabeer REIT, which included issuing five press releases that gained prominent domestic and regional media attention. The campaign also included designing and publishing advertisements across several newspapers, social media platforms, and digital newspapers.
- The Department has launched a major marketing campaign for Alkhabeer Diversified Income Traded Fund, the first of its kind in the Kingdom, which included the issuance of five press releases, and the publication of advertisements on social media platforms and through many newspapers and digital newspapers. The Department also held a media briefing for the launch of the Fund. The Department also organized a live interview on Al-Akhbariya channel with the Company's CEO, Mr. Ahmed Saud Ghouth, where he talked about the Alkhabeer Diversified Income Traded Fund and its advantages. The campaign has achieved great success in shining the spotlight on the Fund, which has attracted more than 89,000 subscribers.
- The Department has used its resources and capabilities to face the consequences of the Coronavirus (COVID-19) pandemic, with the aim of supporting the priorities of the Company's management in protecting its staff members and customers. The team has kept informing the staff members on the preventive and precautionary measures the Company has applied, and has made sure to communicate with all concerned parties to ensure business continuity in a safe environment.

INFORMATION TECHNOLOGY DEPARTMENT

Alkhabeer Capital views IT Department as a key strategic driver and promotes effective stewardship of a secure, highly reliable technology infrastructure along with high-quality, services and support, to meet the strategic requirements of the business.

Considering the scale of cyberattacks and breaches these days, which is steadily growing and getting more complex and can put any organization increasingly at risk, IT hardened its Information Security Management Systems by implementing the latest ISO 27001 standards. Following an extensive audit process, IT achieved the ISO/IEC 27001:2013 certification issued by Bureau Veritas, an UKAS Accredited Certification Body. With this certification, Alkhabeer becomes one of the handful of investment companies in Saudi Arabia to undergo the rigorous certification and accreditation process. The certification was received upon its first accreditation attempt, showcasing the completeness and rigor of its information security program.

The major achievements of the IT during the year 2020 include hundred percent availability of network, firewall, disaster recovery, email and backup; with not a single incident of any virus attack, hacking attempts and high-risk audit observation. During 2020, the Company continued fostering creative and innovative use of technology and implemented new solutions and upgraded IT infrastructure to support information systems and services.

The new implemented solutions include PRTG for network monitoring and capacity planning, encryption solution to prevent data leak and AI based solution, Darktrace. Darktrace enabled IT to proactively hunt for threats, using artificial intelligence algorithms, automatically detect and act against emerging cyberthreats in the early stages before they become a serious issue to the business. IT also successfully carried out a critical project of Domain Controller upgrade.

Furthermore, IT successfully played a critical role by ensuring the continuity of business during the pandemic. During the lockdown, all employees, customers and vendors were able to communicate and seamlessly work from home with hundred percent availability of IT infrastructure. IT also ensured round the clock support for the necessary services such as virtual meetings, conferences and VPN connectivity.

Moreover, IT played a key role in the on-going AKC Head Office building renovation project. IT setup for the new floors to be equipped with the latest brand of Cisco switches, which supports Gigabytes of network speed and a controller based Wireless Solution was installed to provide network connectivity.

Finally, another key development includes assessing the risks to the IT infrastructure based on international FinTech best practices.

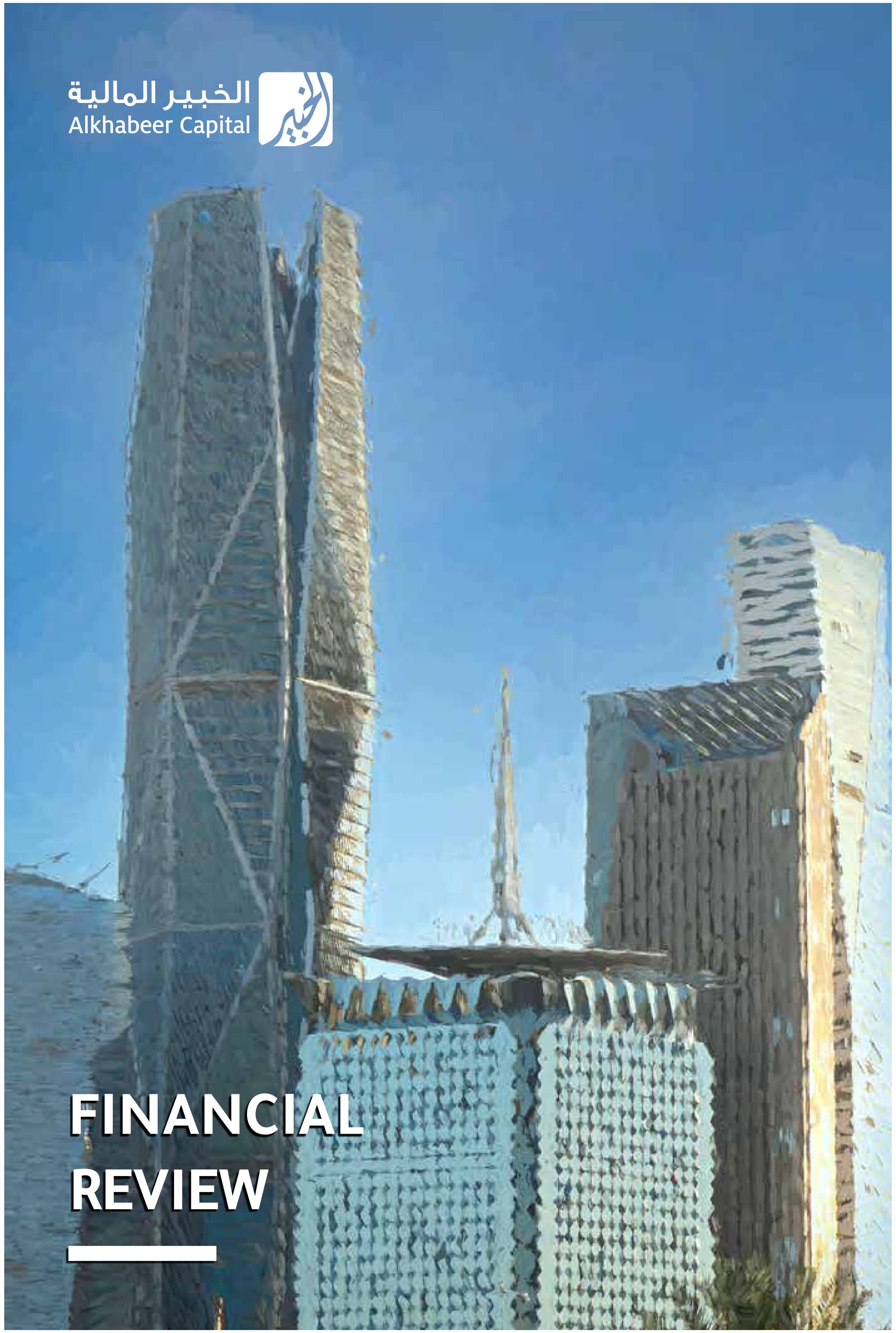
HUMAN CAPITAL DEPARTMENT

Alkhabeer Capital gives the highest priority to attracting the best people and developing the capabilities of specialized competencies in the Company's various sectors and maintaining them, in order to achieve a basic competitive advantage for the Company. As part of the Company's strategic focus on managing alternative investment assets, during the year 2020, the Human Capital Department took steps to ensure the achievement of optimal levels of employment.

The Department continued its extensive investment in training, development, mentoring, and managing cultural change. This includes the People Review Program that helps to establish a performance benchmark against four criteria: achievement of goals and targets, application of Company values, desired leadership attitudes, and future potential. By utilizing a flexible organizational structure, Alkhabeer Capital encourages staff to work together, both internally and with clients, in order to build enduring relationships, which form the bedrock of the Company's business philosophy.

2020 HIGHLIGHTS

- Maintained the Saudization percentage within the MED green category in the Ministry of Labor's program, Nitaqat.
- Implemented a new KPI and Performance appraisal system.
- Maintained the first place as the "Best Workplace in the Kingdom" by the Great Place to Work® Institute, as it was ranked as second best workplace within the financial sector in the Middle East. In addition, Alkhabeer Capital has also been ranked first place among "2020 Best Workplaces for Women" within the financial sector in the GCC. It has also topped the list of "2020 Best Workplaces for Saudi Nationals" within the private sector in Saudi Arabia by Great Place to Work® Middle East.
- The Department, in cooperation with the Corporate Communications Department and the Business Continuity Management Committee, briefed the staff members on all developments regarding the emerging Coronavirus (COVID-19) pandemic, as well as the precautionary measures and the procedures for returning to the Company's offices.



FINANCIAL REVIEW

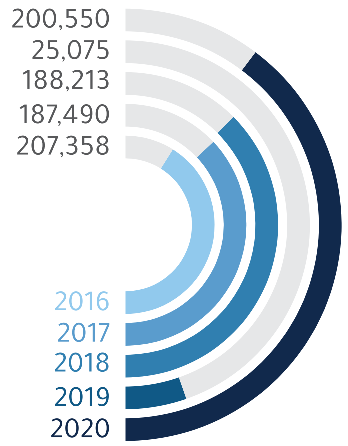
This review provides a summary and analysis of Alkhabeer Capital's financial performance for the year ended 31 December 2020. The Notes to the Financial Statements provide additional relevant information .

OPERATING EXPENSES

Total operating expenses was controlled with rationalized spending where it marginally increased by 1% to SAR 103 million compared with SAR 102 million for the previous year. Operating expenses-to-income ratio is 52% compared with 408% in 2019.

OPERATING REVENUES

Total revenue in 2020 has increased by 700% to SAR 200.6 million compared with SAR 25.1 million for the previous year mainly driven by revenue from capital gain.



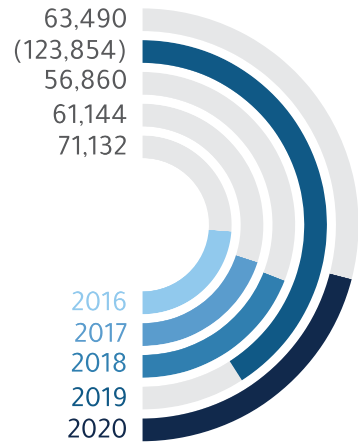
Returns on investments contributed SAR 133.8 million, reflecting an increase of 363% from a loss of SAR 50.8 million in 2019, due to higher revenues from capital gain in 2020.

Moreover, the contribution from management fees jumped by 20% to SAR 55.4 million from 46.0 million in 2019. This is mainly due higher structuring fees in 2020.

On the other hand, due to the exit from income-generating investments during 2020, dividend income has fallen by 61% in 2020 to at SAR 9 million, down from SAR 23 million in 2019.

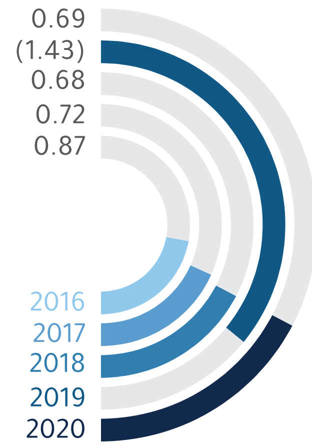
EARNINGS

Net income/loss before zakat and income tax has rocketed by 151% to record a net income of SAR 63.5 million from a net loss before zakat and income tax of SAR 123.9 million in 2019.



EARNINGS PER SHARE

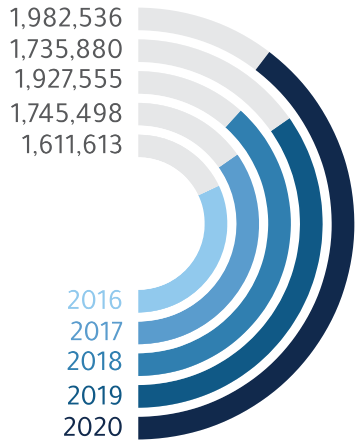
Earnings per share increased by 148% in 2020, compared to 2019, to reach 0.69 Saudi riyals.



BALANCE SHEET

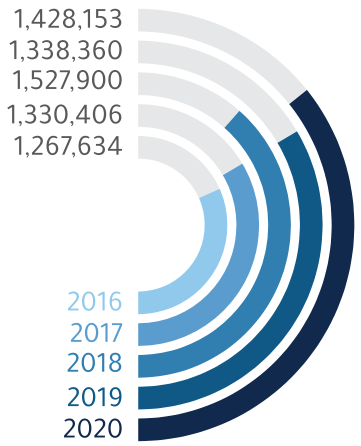
ASSETS

As at 31 December 2020, total assets stood at SAR 1,983 million, a rise of 14% over SAR 1,736 million at the end of 2019. his was a direct result of higher investments in Financial Assets and Murabaha.



INVESTMENTS

The Investments portfolio increased by 7% to SAR 1,428 million in 2020 from SAR 1,338 million in the previous year.



CASH AND CASH EQUIVALENTS

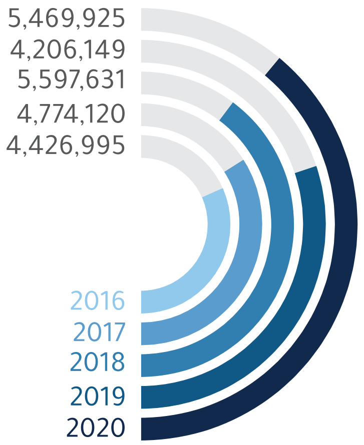
Cash and cash equivalents comprise balances with banks. Cash at banks balances declined by 12% to SAR 100 million in 2020 from SAR 112 million in the previous year mainly due to higher Investments in new funds.

ASSETS UNDER MANAGEMENT

Assets held on behalf of clients in a fiduciary capacity are not included in the balance sheet of Alkhabeer Capital. As of 31 December 2020, the Company held fiduciary assets under management of SAR 4.19 billion vs. SAR 3.02 billion in 2019 due to higher investments in new Funds in 2020.

ASSETS UNDER MANAGEMENT

Total assets under management has increased to SAR 5,470 million, an increase of 30% from SAR 4,206 million at the end of 2019, due to new the establishment of new Funds during 2020.



LIABILITIES

Total liabilities increased by SAR 186 million to SAR 1,073 million in 2020 from SAR 887 million in the previous year, driven by the payables against investments purchased.

In 2020, Alkhabeer Capital had a Shari'a-compliant financing balance of SAR 81.5 million.

FINANCING FOR FY 2020

The following table shows information related to Shari'a-compliant financing extended to the Company as at 31 December 2020: (in SAR, unless otherwise stated)

Name of Bank	Alinma Bank	Banque Saudi Fransi
Term of Financing	5 years	2 years
Principal Amount of Financing	100,000,000	150,000,000
Repaid Amount	56,000,000	112,500,000
Outstanding Amount	44,000,000	37,500,000

For details, please refer to the current and non-current liabilities section in the consolidated statement of financial position and notes thereon.

SHAREHOLDERS' EQUITY

At the end of 2020, shareholders' equity increased by 7% to SAR 909 million from SAR 849 million at the end of 2019. The increase was driven primarily by the decrease in accumulated losses in Shareholders Equity due to 2020 Net Profit.

CAPITAL ADEQUACY

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended 31 December 2012, new Prudential Rules (the "Rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012. The rules state that an authorized person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of the Prudential Rules.

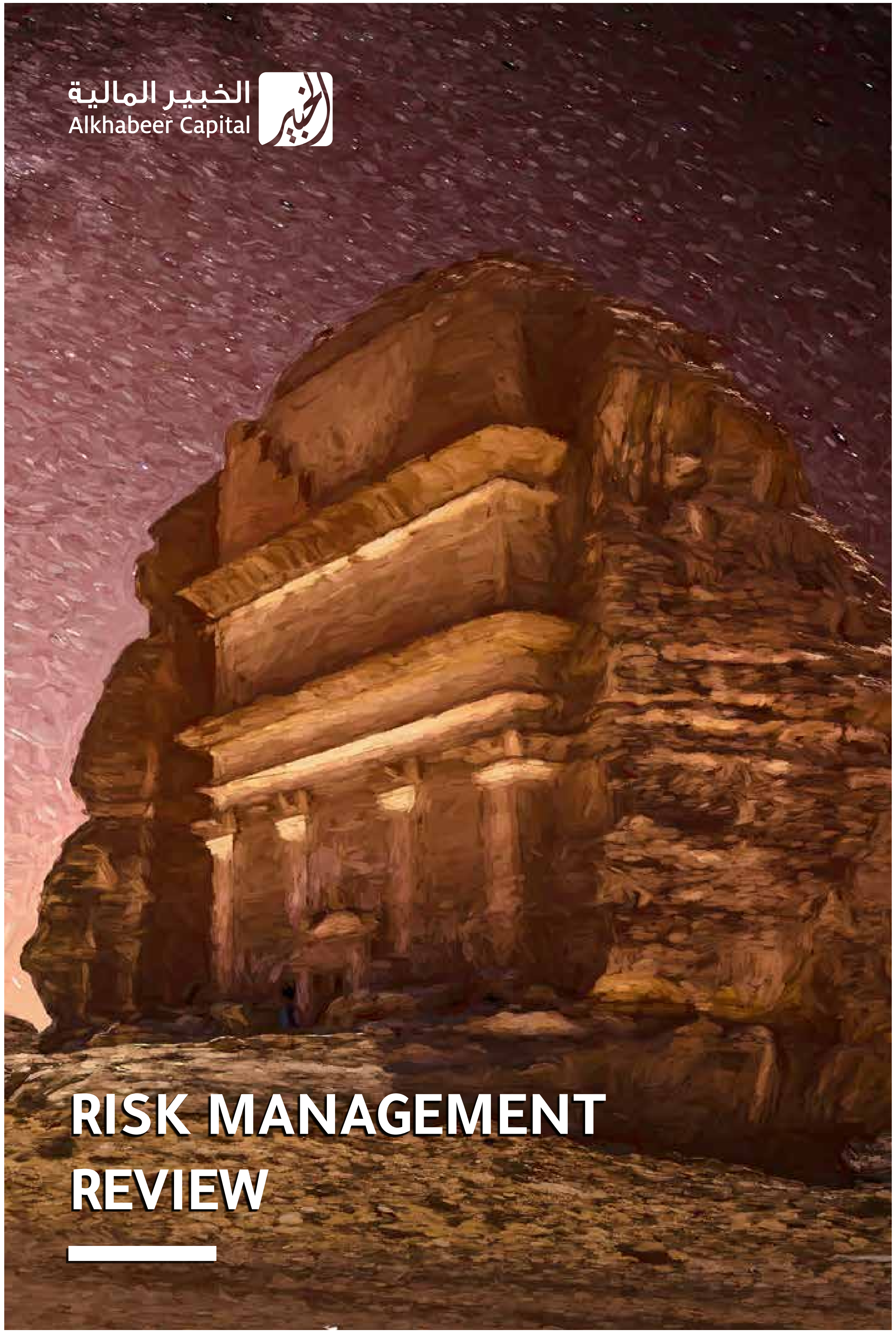
The details of the minimum capital requirement and capital base are as follows:

CAPITAL ADEQUACY

(SAR '000)	**2020**	2019
Alkhabeer's Capital Base	**909,484**	848,882
Minimum Capital Requirement	**869,882**	760,570

CAPITAL ADEQUACY RATIO

(SAR '000)	**2020**	2019
Total Capital Ratio	**1.05**	1.12
Surplus Capital	**39,602**	88,312



RISK MANAGEMENT REVIEW

POTENTIAL RISKS AND RISK MANAGEMENT POLICY

Risk of varying depth and complexity is inherent in Alkhabeer Capital's activities, and is managed through a process of ongoing identification, measurement, and monitoring, and setting proper limits and controls. Alkhabeer Capital is primarily exposed to credit risk, market risk, liquidity risk and operational risk.

CREDIT RISK

Credit risk refers to the risk where the counterparty may default on its contractual obligation resulting in a potential loss to the Company. Alkhabeer is not authorized to lend money in the form of loans or advances to its clients and, specifically margin lending is not currently practiced by Alkhabeer.

Therefore, the only credit risk Alkhabeer may be facing at present is in relation to counterparties, including banks and companies, as well as its investments in Alkhabeer's managed private funds. Alkhabeer adopts a credit strategy for monitoring and controlling the counterparty risk by setting limits for each counterparty in line with CMA's Prudential Rules and Alkhabeer's internal approved policies. This risk is expected to increase in the markets, in general, as a result of economic changes in the region, consequently negatively affecting the performance of companies and their ability to fulfill their obligations. These effects, at the core of the domestic economy, may be undetectable, but may have ripple effects, including the deterioration of corporate credit ratings, particularly for small and medium enterprises. Whereas Alkhabeer's investment portfolio focuses on investing in private real estate and private equity funds, the level of exposure to this type of risk is considered high in view of prevailing market volatility due to the emerging Coronavirus (COVID-19) during the year.

MARKET RISK

Market risk is the risk that results from the changes in market prices, interest rates / profit rates, and share prices to the Company's income or the value of its holdings of financial instruments. Alkhabeer invests in multiple asset classes that involve market risk due to their susceptibility to fluctuation in prices. Alkhabeer also invests its liquidity in money markets, capital markets, real estate, and private equity. Since Alkhabeer's business model is to invest mainly in its managed funds, the market risk exposure to such investments is monitored and managed by the Company through a disciplined investment policy set by the Board in which limits, parameters, processes and proper governance are detailed.

At the global level, on the other hand, heightened geopolitical risks have affected how Middle Eastern investors react to oil prices. This has created an adverse effect on the performance of equity and money markets which are most vulnerable to oil prices. As for interest rates / profit rates, their continued rise will also have an adverse effect, especially on the cost of funds at Alkhabeer's corporate level, as well as at the level of managed funds.

LIQUIDITY RISK

Liquidity risk emerges as a result of the inability to manage unplanned shortage(s), changes to financing sources, or the failure to address market changes that affect the ability to liquidate assets quickly and with minimal loss. The efficient management of liquidity risk begins with the development of sound written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting to the management's Assets and Liabilities Committee, which applies various tools and engineering to ensure that the Company has sufficient liquidity levels to meet its future obligations.

Investors' continued reluctance to commit to new investments in view of regional conditions will have an adverse effect on capital turnover and the creation of new investment opportunities in line with the Company's business model. This will, consequently, hamper the growth of assets under management and undermine the Company's liquidity and financial position in general.

OPERATIONAL RISKS

Operational risk relates to the potential for losses stemming from inadequate or failed internal control processes, human resources, systems, or external events. Operational risk includes exposure to legal risk, such as incurring fines, penalties or punitive damages resulting from regulatory actions against the Company or private settlements reached by the Company. Alkhabeer uses a set of tools to identify, measure and rectify operational incidents. In addition, Alkhabeer has a professional indemnity insurance policy that covers any loss resulting from unintentional lapses or system breakdowns.

RISK AND GOVERNANCE DIVISION

The Risk and Governance Division is responsible for the day to-day oversight of the various risks to which Alkhabeer Capital is exposed, including credit, market, operational, regulatory, compliance and money laundering risks.

The division employs a wide range of risk assessment, analysis and reporting tools and state-of-the-art risk management models. Independent systems including Mubasher system and World-Check system for reporting anti-money laundering and regulatory compliance. In addition, an internal capital adequacy assessment model has been developed and implemented in line with CMA requirements. The Company's capital adequacy is monitored monthly covering historic and forecasted figures in order to ensure that the Company maintains adequate capital coverage.

COMPLIANCE AND MLR DEPARTMENT

While the ultimate responsibility of compliance lies with Alkhabeer Capital's Board of Directors, the Compliance and MLR Department is responsible for the day-to-day activities of compliance functions and is also responsible for setting the strategy and the action plan of the Compliance and MLR Department.

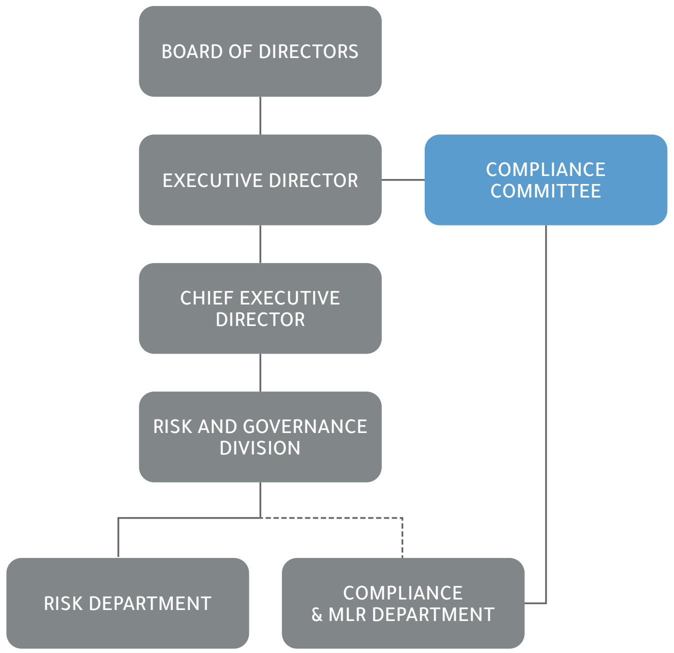
It is important to stress that compliance with regulatory and internal requirements is mandatory for all employees. The Executive Management ensures that all employees are aware of this duty and infuses a culture of commitment among all employees. It also ensures that compliance with regulatory requirements and adherence to the highest standards of professional conduct is observed at all times.

RISK DEPARTMENT

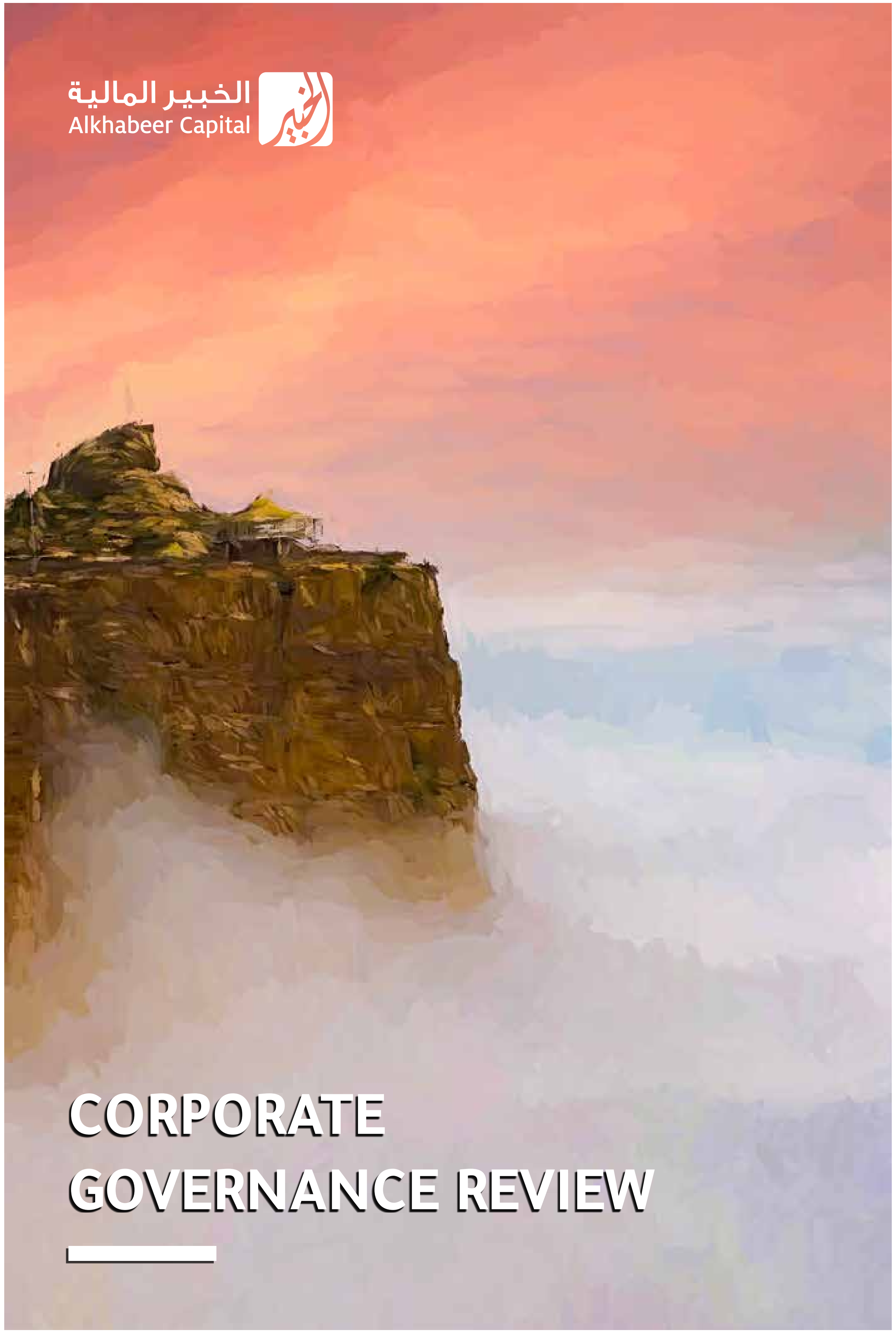
The Risk Department is responsible for the monitoring and approval of counterparty limits; the day-to-day identification, measurement and monitoring of the Company's exposure to market (including liquidity) risk; the update of all policies and procedures for all departments within the Company; and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any regulatory and operational risks. In addition, the Department is responsible for following up on all investment decisions by creating different controls to manage the quality of execution, the reporting of any exceptions, and streamlining the workflow of some processes to ensure the timely and proper execution of transactions.

RISK AND GOVERNANCE FRAMEWORK

Alkhabeer's Board of Directors manages risks through Board Committees and Alkhabeer's Risk and Governance Division and the Compliance and MLR Department.



MANAGEMENT COMMITTEES - INCLUDES BOD MEMBER — SHOWS DIRECT REPORTING ······· SHOWS ADMINISTRATIVE REPORTING



CORPORATE GOVERNANCE REVIEW

Alkhabeer Capital's governance policy includes the principles that regulate the following aspects:

- Management and supervision of operations.
- Promotion of ethical and responsible decision-making.
- Timely submission of disclosures.
- Recognition of the legitimate rights of all stakeholders.
- Definition and management of risks.
- Encouragement and rewarding of improved performance in an equitable and responsible manner.

GOVERNANCE FRAMEWORK

Alkhabeer Capital's Corporate Governance framework consists of a code of business conduct, conflict of interest, strategy statement, compliance, succession planning, policies and operating procedures, internal control and risk management processes, internal and external auditing procedures, effective communications, disclosure and transparency.

CODE OF BUSINESS CONDUCT

Alkhabeer Capital has developed its code of business conduct to govern the conduct of its directors, executive management, and employees and to ensure that all procedures, actions, and behaviors are totally ethical, legal, and transparent.

CONFLICT OF INTEREST

Alkhabeer Capital did not, nor has it entered into, any contract in which any of its board members, the Executive Director, the Chief Executive Officer, the Chief Financial Officer, or any of its partners has or had any material interest that has not been approved by the General Assembly. Refer to Note (7) of the Consolidated Financial Statements regarding related party transactions.

COMPLIANCE

Alkhabeer Capital adopts comprehensive policies and procedures to ensure full compliance with the regulations of the Capital Market Authority of Saudi Arabia, and the laws and regulations issued by regulatory authorities in all jurisdictions where the Company conducts its activities. The Compliance Committee is responsible for ensuring compliance with relevant laws, and legal and administrative requirements.

REPORTING WRONGFUL ACTIVITIES

All Alkhabeer Capital's employees are responsible for reporting to the Compliance and MLR Department any actual or potential violations. The Company has adopted a policy of confidential reporting of breaches of its code of business conduct. The purpose of this policy is to encourage employees to report any wrongful practices, play an active role in day-to-day operations, enhance the level of employee involvement, maintain a professional business environment, measure employee awareness of applicable laws and regulations, and assure employees that their concerns are taken seriously. During 2020, the Compliance and MLR Department conducted a AML training session for Alkhabeer employees.

DETAILS OF ANY PENALTIES, FINES, PRECAUTIONARY MEASURES AND PREEMPTIVE RESTRICTIONS

No fines were imposed on Alkhabeer Capital in 2020.

DISCLOSURE AND TRANSPARENCY

Alkhabeer Capital adopts a Corporate Communications policy in compliance with regulatory and supervisory requirements to ensure that disclosures are fair, transparent, and comprehensive. Main communications channels include the shareholders' annual general assembly, the annual report, the financial statements, the periodic investment reports, the corporate website, press releases and media announcements, and employee communications.

STRATEGY STATEMENT

In order to support Alkhabeer Capital's continued growth and development, and in light of regional and global market changes, Alkhabeer's strategy clearly specifies the objectives of growth for revenues and profits, development of new business and products, geographic distribution of investments, and required professional competencies to achieve these objectives.

SUCCESSION PLANNING

The People Management Committee reviews and endorses the Company's succession plan on an annual basis. The objective of this plan is to identify, develop and promote employees to ensure that there are no disruptions to the functioning of Alkhabeer Capital in the event of personnel leaving the Company.

CONTROL FUNCTIONS

INTERNAL AUDIT UNIT

The Internal Audit Unit is an independent unit reporting to the Board's Audit Committee and consists of three members, two of whom are independent members. To raise the independence and effectiveness of the function, the Unit has an agreement with Protiviti Member Firm Saudi Arabia to execute the audits and report the results to the Audit Committee. The approved audit plan is implemented throughout the year, and all its recommendations are applied. The Audit Committee, Board of Directors and Executive Management are kept informed of the progress of implementation of the audit plan.

THE INTERNAL AUDIT UNIT ALSO CONDUCTS SPECIAL REVIEWS OR INQUIRIES, AS AND WHEN REQUIRED.

The Internal Audit Unit audited Alkhabeer Capital's operations during 2020, in accordance with the annual Audit Plan that was approved by the Audit Committee, to verify the effectiveness of the Company's internal control systems, to safeguard the Company's assets, and to evaluate the suitability of the Company's performance in mitigating risks. As a result of these audits and reviews, there were no fundamental weaknesses uncovered in the internal control systems of the Company.

The Internal Audit Unit has completed all planned audits for 2020. Additionally, follow up and closing of the findings identified during the reviews was one of the important tasks that the Internal Audit Unit focused on during the year.

AUDIT COMMITTEE'S OPINION ON THE ADEQUACY OF THE INTERNAL AUDIT SYSTEM

The Audit Committee has reviewed the books and records, internal audit reports, along with various meetings' minutes and data as relevant to our duties. The Audit Committee have found the Company's internal controls system and processes to be sound and effective, and did not uncover any fundamental weaknesses. It also found that the internal audit function was executed without any lapses. It also did not note any event of fraud during the year ended 31 December 2020.

COMPLIANCE AND MLR

The Compliance and MLR Department is responsible for the day-to-day activities of the Compliance functions and is also responsible for setting the strategy and planning the Compliance work. It is important to stress that all employees have a duty in respect of compliance. The Management must ensure that all employees are aware of this duty and that a commitment to compliance exists throughout Alkhabeer. At all levels, compliance with all regulatory requirements and observance of the highest standards of business conduct are followed.

RISK DEPARTMENT

The Risk Department is responsible for the day-to-day identification, measurement and monitoring of the Company's exposure to credit, operational and market (including liquidity) risk, the update of all policies and procedures for all departments within the Company, and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any operational regulatory risks. In addition, the Department is responsible for following up on all the Company's investment decisions by creating different controls to manage the quality of execution, reporting any exceptions and streamlining the workflow of many processes to ensure their timely and proper execution.

LEGAL

The Legal Department plays a pivotal role in ensuring the integrity of the Company's operations and products, and protecting its rights and those of its clients, internally and externally, while also ensuring the implementation of best legal practices. The Department's functions include, without limitation, the provision of accurate legal advice on Alkhabeer's investment and management activities; follow-up on the progress of disputes, settlements and legal proceedings in courts at all levels and with any other agencies having legal jurisdiction; preparation of legal studies of interest to the Company; drafting agreements between the Company and other entities; and organizing periodic seminars for Company employees to familiarize them with laws and new legislations and assist them in their implementation.

FINANCE AND ACCOUNTING

The Finance and Accounting Department is responsible for financial planning and periodic reporting, financial control and protection of Company assets, payments, recording and bookkeeping, follow up of Zakat and income tax, and coordination with various external entities including the external auditors. The Department also monitors the implementation of the Company's strategic plan on a monthly basis to ensure that the actual financial performance is in line with the business plan of each area of operation. Any deviations from the plan are detected at an early stage, and appropriate remedial action is proposed and followed up.

CORPORATE SOCIAL RESPONSIBILITY

Although our overall purpose is placing the interests of our clients and partners first, we recognize and have always believed that demanding high levels of corporate social responsibility to the wider society is of utmost importance goals of Alkhabeer Capital.

We view Corporate Social Responsibility as the management of all of the environmental, social, economic, ethical and governance issues that make up our relationships with stakeholders and society. The development of our Corporate Social Responsibility strategy has continued throughout this year, reinforcing our commitment to act responsibly and contribute to society.

2020 HIGHLIGHTS

THE ENVIRONMENT

As part of our commitment towards responsible optimization of consumption, Alkhabeer endeavors to minimize the impact of its activities and products on the environment and conducts constant reviews to deliver continuous improvements in our environmental performance.

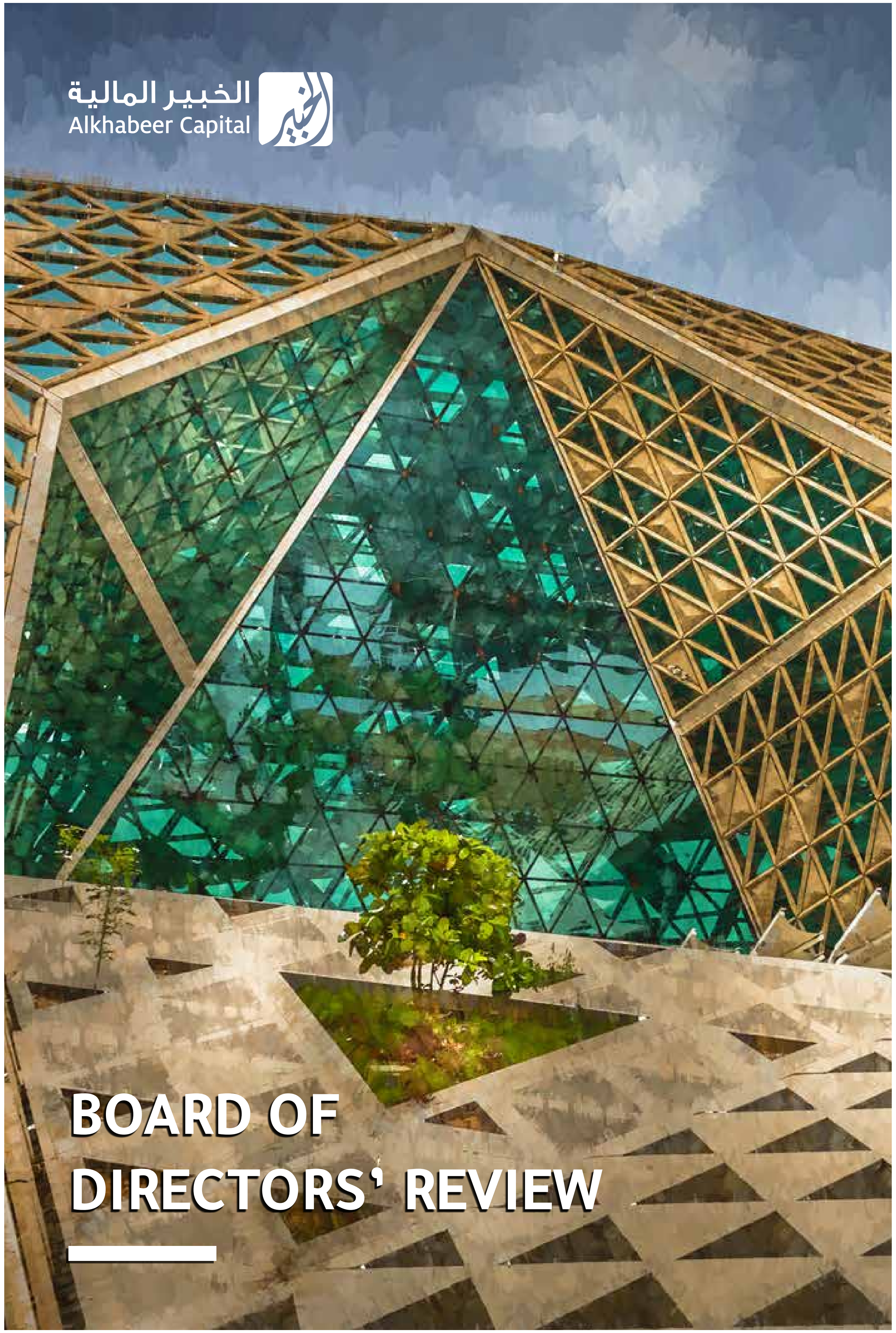
In conjunction with Earth Day and to reduce the negative impact of paper consumption on our planet, Alkhabeer's Corporate Social Responsibility Committee (CSRC) launched the "Plant 1,000 Trees" initiative in February, which took place inside the campus of the University of Jeddah, where the Company's staff members have volunteered and gathered to plant the first 100 trees.

Moreover, with regards to water conservation and promoting sustainable development, CSRC have installed tools to help conserve water and energy simultaneously. It also cooperated with the National Water Company installed rationalization solutions to reduce the amount of water used, which helps to save approximately 60% of the water that is wasted during drainage.

INITIATIVES TO SUPPORT FUTURE GENERATIONS

ALKHABEER INTERNSHIP PROGRAM

A summer internship at Alkhabeer is an excellent way to learn business management skills, partner with a mentor, build connections and get real-world experience before graduation. Interns are assigned to a department corresponding to their chosen field of study, and a mentor who is on hand to provide professional development and guidance. At the end of the program, a certificate is issued, indicating the trainee's period of experience along with a performance evaluation. In 2020, three female students and three male students were enrolled in the program.



BOARD OF DIRECTORS' REVIEW

Alkhabeer Capital's Board of Directors is comprised of prominent leaders in the business sector, who contribute to the success of the Company's business and projects by harnessing their knowledge, experiences and network of relationships in the service of its business. The composition of the Board of Directors reflects a balance between the executive, non-executive and independent members, whereby the number of independent members is not less than a third of the members of the Board of Directors.

The Board of Directors held five periodic meetings in 2020. The Board performs a pivotal and vital role in determining the Company's strategic direction and ensuring its implementation, within a framework of controls and incentives exercised via the Board's three permanent committees: The Board's Investment Committee, the Audit Committee, and the Nomination & Remuneration Committee.

DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

The Board of Directors, to the best of its knowledge in all material aspects, confirms to the shareholders and all other stakeholders, that:

- Alkhabeer has properly maintained sound accounting records;
- The internal control system was properly prepared and effectively implemented; and
- There is no doubt that Alkhabeer has the capacity to continue its business activity.

BOARD MEMBERS' PROFILES

Musaad Mohammad Saad Aldrees

CHAIRMAN
MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE

Musaad Mohammad Saad Aldrees is a longstanding and renowned businessman. He has played a leading role in developing and expanding a group of family companies in various business sectors. He was an active member of the board of executive directors at the Saudi American Glass Factory, entirely owned by Dubai Investment Company. He was also a member of the boards of executive directors of Mohammad Saad Aldrees and Sons Limited Company (which later became a public company and was listed on the Saudi Stock Exchange), Mohammad Saad Aldrees Sons Limited Company, Mohammad Saad Aldrees and Sons Holding Company, and Aldrees Industrial & Trading Company (ALITCO) (a closed joint stock company).

In addition to completing various training courses in KSA, the USA and the UK, Musaad is a graduate of the Institute of Public Administration in Riyadh, Saudi Arabia.

Ammar Ahmed Shata

EXECUTIVE DIRECTOR
MEMBER OF THE BOARD'S INVESTMENT COMMITTEE

Ammar Ahmed Shata is the founder and Executive Director of Alkhabeer Capital. He is also a Board Director of Jeddah Development & Urban Regeneration Company, and a Board Director of Murooj Jeddah Company Limited. He has more than 28 years of experience in corporate banking, Islamic finance, asset management and private equity. He began his investment banking career in 1990. Since then, he has held several leadership positions in several major Saudi banks, including the National Commercial Bank, Al Baraka Investment Development Group, and the Islamic Development Bank.

A Chartered Financial Analyst (CFA) Charterholder, Ammar holds a bachelor's degree in Electrical Engineering and a Master's degree in Financial Economic Planning from the University of Southern California, USA.

Saeid Mohamed Binzagr

VICE CHAIRMAN
CHAIRMAN OF THE BOARD'S INVESTMENT COMMITTEE

Saeid Mohamed Binzagr has over 22 years of experience in commerce and industry. He is the Chairman of the Board of Directors of Avon Beauty (Arabia) LLC, the Chairman of the Board of Directors of Binzagr Barwil Marine Transport Company, the President and Chief Operating Officer of Abdullah & Saeid M.O. Binzagr Company Limited, the Co-President of Binzagr Factory for Insulation Materials Company, a Board member of Said M.O. Binzagr & Partners Company Limited, Binzagr Co-Ro Limited, Binzagr Unilever Limited, and the International Marketing & Communications Company Limited and a Board member and the founder of Diyar Al-Khayyal Company.

Saeid holds a Bachelor of Science degree from Linfield College, Oregon, USA.

BOARD MEMBERS' PROFILES

Mohanad Haydar Binladin

MEMBER
MEMBER OF THE AUDIT COMMITTEE

Mohanad Haydar Binladin is an Assistant General Manager of Administration and Finance, as well as the Acting General Manager of Investments Division at Mohammed Binladin Co. Previously, he served as Chief Accountant for Binladin Industrial Co. Mohanad is the owner of Cultural Thought Est. and the founder and partner in Nutrition Zone L.L.C and Zileej DMCC, an Emirati company specialized in computer software development. He is also a Board Director of Zileej DMCC; Sky Steel Systems, UAE; and Makani Bayn Alkhotoot, a Saudi company specialized in parking management and services.

Mohanad holds a master's degree in Innovation and Technology Management from the Grenoble Graduate School of Business, France, and a Bachelor's Degree in Finance from the King Fahad University of Petroleum & Minerals, KSA.

Khalil Ibrahim Fawaz

MEMBER
MEMBER OF THE BOARD'S INVESTMENT COMMITTEE

Khalil Ibrahim Fawaz is the Chairman and Chief Executive Officer of Center for Corporate Services Company (a regional consulting company), and the Chairman and Chief Executive Officer of Move Forward International (a regional financial training company). He previously held the positions of Manager at PricewaterhouseCoopers (PwC); Vice President of Investment Banking at Alkhabeer Capital in Jeddah, Saudi Arabia; Head of Corporate Finance at Middle East Capital Group, a subsidiary of First National Bank (FNB); and Chief Financial Officer (CFO) at Zain Saudi Arabia in Riyadh. He is currently a member of several audit committees as well as board memberships in Saudi Arabia and Lebanon.

Khalil holds an MBA from the Lebanese American University in Beirut. He is also a Certified Public Accountant (CPA) by California Board of Accountancy, U.S.A.

Mohammed Abdulrahman Moumena

INDEPENDENT MEMBER
CHAIRMAN OF THE NOMINATION & REMUNERATION COMMITTEE

Mohammed Abdulrahman Moumena is an accomplished senior executive with valuable experience in a wide range of challenging business sectors. With more than 20 years of experience, he has established his reputation as a business leader and thinker in Saudi Arabia and the wider Middle East. Mohammed is a Managing Partner at the boutique executive search firm Edward W Kelley & Partners. He is an Independent Board Director and the Chairman of the Risk Management Committee at Fransa Invest Bank. He is also an Independent Board Member and the Chairman of the Nomination & Remuneration Committee of the Middle East Healthcare Company (Saudi-German Hospital in KSA), and at Initial Saudi Arabia Company. Mohammed also acts in a non-executive capacity for several other organizations involved in charitable work.

Mohammed holds a bachelor's degree in Marketing from King Fahad University of Petroleum and Minerals, KSA.

BOARD MEMBERS' PROFILES

Abdulkader Hayward Thomas

INDEPENDENT MEMBER

Abdulkader Thomas, an international expert in Islamic finance, is the Chief Executive Officer and a Board Director of Shape for Economic Consultancy in Kuwait and Shape Financial Corporation in the USA. He is also a Board Director of Shape Knowledge Services Company (Malaysia) and Sterling Bank PLC (Nigeria). He has held senior positions in various financial institutions, including the Islamic Investment Banking Services Unit at United Kuwait Bank, Guidance Financial Group, and Sumitomo Bank Ltd. He is also a member of the International Advisory Committee for the Securities Commission of Malaysia. He is widely published in the field of Islamic finance.

Abdulkader holds a bachelor's degree in Arab and Islamic Studies from the University of Chicago, USA, and a master's degree in Law and Diplomacy from the Fletcher School of Law and Diplomacy, the graduate school of international affairs of Tufts University, in Medford, Massachusetts, USA.

Yassir Kamil Sindi

INDEPENDENT MEMBER
MEMBER OF THE BOARD'S INVESTMENT COMMITTEE
MEMBER OF THE NOMINATION & REMUNERATION COMMITTEE

Yassir Kamil Sindi is the Managing Director and an Executive Board Member at Al Faris Food Industries and Al Faris Al Arabi Trading Co, KSA, both of which specialize in the manufacturing and distribution of food products. He has extensive experience in the FMCG sector. Yassir was also involved in the venture capital and private equity sectors as a Non-Executive Director at nCoTec LLP and the Frontiers Capital Partners LLP in the UK.

Yassir has a BSC in Chemical Engineering from Colorado School of Mines, USA, an MA in Economics from The Johns Hopkins University, USA, and an MBA from CASS Business School in London, UK (2002).

Issam Zaid Al Tawari

INDEPENDENT MEMBER
CHAIRMAN OF THE AUDIT COMMITTEE

Dr. Issam Zaid Mohammed Al Tawari is an Islamic finance expert and currently serves as the Managing Partner of Newbury Economic Consulting that he established in Kuwait. He is also the Founder of Rasameel Structured Finance Company where he served as the Chairman and Managing Director, all based out of Kuwait. Issam has held senior positions in several prominent institutions, including Chairman of the Board of Ain Takaful Insurance Company, and Sorooh Investment Company, and Board Director at Dubai Wire Company, and Kuwait Catalyst Company, among others.

Issam holds a bachelor's degree in Economics & Business Administration from the University of Kuwait, an MBA from the University of Hull in the UK, and a PhD from Durham University.

ORGANIZATIONAL STRUCTURE OF ALKHABEER'S BOARD OF DIRECTORS AND CLASSIFICATION OF ITS MEMBERS

The table below shows the organizational structure of the Board of Directors and the classification of its members as at the end of 2020, in addition to the names of companies in which the Board member is also a member of their boards:

NAME	MEMBER CLASSIFICATION	MEMBERSHIP IN BOARDS OF DIRECTORS OF OTHER COMPANIES (LISTED OR NON-LISTED) OR MANAGEMENT POSITION(S) HELD
Musaad Mohammad Saad Aldrees	Non-Executive	Not a member of the board of directors of any other listed or non-listed company
Ammar Ahmed Shata	Executive	General Manager of Alkhabeer National Company for Commercial Projects Management Ltd.
Saeid Mohammed Binzagr	Non-Executive	Chairman of the Board, Avon Beauty Arabia Company
		Chairman of the Board, Binzagr Barwil Marine Transport Company
		Member of the Board, Binzagr Co-Ro Company
		Member of the Board, Binzagr Unilever Limited
		Member of the Board, Abdullah & Saeid M.O. Binzagr Company
		Member of the Board, Binzagr Factory for Insulation Materials Company
		Member of the Board, Binzagr Company
		Member of the Board and Founder, Diyar Al-Khayyal Company
		Member of the Board, International Marketing & Communications Company Limited
		Member of the Board, Binzagr Company for Industrial and Commercial Investments
Mohanad Haydar Binladin	Non-Executive	General Manager, Zaleej Company
		General Manager, Makani Bayn Alkhotoot
		Director, First Specialists for Energy Systems LLC
		Member of the Board, Sky Steel Systems
Khalil Ibrahim Fawaz	Non-Executive	Chairman of the Board and CEO, Center for Corporate Services Company
		Chairman of the Board and CEO, Move Forward International
Mohammed Abdulrahman Moumena	Independent	Member of the Board, Initial Saudi Arabia Group
		Member of the Board, Middle East Healthcare Company
		Member of the Board, Fransa Invest Bank
		Member of the Board, Al-Wedad Charity Foundation
		Managing Partner, Edward W. Kelley & Partners
Abdulkader Hayward Thomas	Independent	Member of the Board, Shape for Economic Consultancy
		Member of the Board, Shape Financial Corporation
Yassir Kamil Sindi	Independent	Executive Director, Al-Faris Foodstuff Factory
Issam Zaid Al Tawari	Independent	Director and Partner, Newbury Economic Consulting
		Director and Partner, Newberry International Real Estate Company
		Director and Partner, Moods International General Trading Company
		Member of the Board, 19 Cleveland Square Limited

BOARD MEMBERS' ATTENDANCE

The Board of Directors held six (6) meetings during 2020. The following table shows attendance at each Board meeting:

MEMBER'S NAME	FIRST EXCEPTIONAL MEETING 16 JAN	FIRST MEETING 11 MAR	SECOND MEETING 6 MAY	THIRD MEETING 10 AUG	FOURTH MEETING 28 OCT	FIFTH MEETING 23 DEC	TOTAL 6
Musaad Mohammad Saad Aldrees	Attended	Attended	Attended Electronically	Attended Electronically	Attended	Attended	6
Ammar Ahmed Shata	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	6
Saeid Mohammed Binzagr	Excused Absence	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	5
Mohanad Haydar Binladin	Attended	Attended	Attended Electronically	Attended	Attended	Attended	6
Khalil Ibrahim Fawaz	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	6
Mohammed Abdulrahman Moumena	Excused Absence	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	5
Abdulkader Hayward Thomas	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	6
Issam Zaid Al Tawari	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	6
Yassir Kamil Sindi	Excused Absence	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	5

Attended   Attended Electronically   Excused Absence

SHAREHOLDINGS OF BOARD MEMBERS, SENIOR EXECUTIVES AND RELATED PERSONS

The following table shows any interest in Alkhabeer Capital owned by the Board Members, Senior Executives and any person related to them, and any change in such interest during 2020:

NAME	CLASSIFICATION	RELATED PERSON	NUMBER OF SHARES AS AT THE BEGINNING OF 2019	PERCENTAGE SHAREHOLDING AS AT THE BEGINNING OF 2019	NUMBER OF SHARES AS AT THE END OF 2019	PERCENTAGE SHAREHOLDING AS AT THE END OF 2019
Musaad Mohammad Saad Aldrees	Chairman of the Board	-	1,760,000	1.96%	1,760,000	1.96%
Ammar Ahmed Shata	Executive Director	Alkhabeer National Company for Commercial Projects Management *	1,057,115	1.18%	1,057,115	1.18%
Saeid Mohammed Obaid Binzagr	Director	(Father) Mr. Mohammed Obeid Saeid Binzagr	2,337,500	2.61%	2,337,500	2.61%
Saeid Mohammed Obaid Binzagr	Director	Abdullah & Saeid M.O. Binzagr Company **	6,875,000	7.68%	6,875,000	7.68%
Ahmed Saud Ghouth	CEO	-	269,385	0.30%	269,385	0.30%

* Includes (1,057,115) shares owned by Alkhabeer National Company for Commercial Projects Management, which is fully owned by Mr. Ammar Ahmed Shata.

** Includes (6,875,000) shares owned by Abdullah & Saeid M.O. Binzagr Company, in which Mr. Saeid Mohammed Obeid Binzagr owns an indirect interest of (0.67%) and his father Mr. Mohammed Obeid Saeid Binzagr owns an indirect interest of (12.12%) through their ownership of a share in one of its companies, Binzagr Company for Industrial and Commercial Investments Ltd.

TRANSACTIONS BETWEEN ALKHABEER CAPITAL AND RELATED PARTIES

Alkhabeer Capital did not enter into any for-profit transaction(s) with any related parties during 2020.

BUSINESS ACTIVITIES AND CONTRACTS WITH RELATED PARTIES

The Board of Directors declares that there is no business or contracts to which Alkhabeer Capital is party, or in which any of Alkhabeer Capital's Board Members, Senior Executives or any related person had an interest.

BOARD COMMITTEES

The Board of Directors presides over three main committees whose membership was formed by the Board: The Audit Committee, the Nominations & Remuneration Committee, and the Board's Investment Committee. These committees play an important role in assisting the Board of Directors to perform its assigned regular duties. The following is a short description of the competencies and tasks of the Board's main committees, as well as the structure of their members and the number of their meetings held during 2020.

AUDIT COMMITTEE

The Audit Committee supports the Board's supervisory functions in ensuring the integrity of financial statements, the qualification and independence of the independent external auditors, and the sound performance of the Company's Internal Audit function. The Audit Committee met six (6) times during 2020. The following table lists each member's attendance:

MEMBER'S NAME		FIRST EXCEPTIONAL MEETING 22 JAN	SECOND EXCEPTIONAL MEETING 26 JAN	FIRST MEETING 9 MAR	SECOND MEETING 30 JUN	THIRD MEETING 27 OCT	FOURTH MEETING 22 DEC	TOTAL 6
Issam Zaid Al Tawari	Chairman	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended	6
Mohanad Haydar Binladin	Member	Attended	Attended	Attended	Attended	Attended Electronically	Attended	6
Othman Mohammed Bafaqih	Member	Attended	Attended	Attended Electronically	Attended	Attended Electronically	Attended	6

Attended   Attended Electronically   Excused Absence

NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee supports the Board's supervisory functions to ensure the independence of directors and the integrity of the Company's remuneration strategy. The Nomination & Remuneration Committee met two (2) times during 2020. The following table lists each member's attendance:

MEMBER'S NAME		FIRST MEETING 10 MAR	SECOND MEETING 22 DEC	TOTAL 2
Mohammed Abdulrahman Moumena	Chairman	Attended	Attended	2
Musaad Mohammad Saad Aldrees	Member	Attended	Attended	2
Yassir Kamil Sindi	Member	Attended	Attended Electronically	2

Attended   Attended Electronically   Excused Absence

BOARD'S INVESTMENT COMMITTEE

The Investment Committee supports the Board's functions in respect of reviewing and approving the Company's investment policies, strategies and transactions and monitoring the Company's financial performance and the performance of its investments. The Committee also oversees the Company's capital and financial resources. The Investment Committee held eight (8) meetings during 2020. The following table lists each member's attendance:

MEMBER'S NAME		FIRST MEETING 10 MAR	FIRST EXCEPTIONAL MEETING 14 APR	SECOND MEETING 5 MAY	SECOND EXCEPTIONAL MEETING 16 JUN	THIRD EXCEPTIONAL MEETING 15 JUL	THIRD MEETING 28 SEP	FOURTH MEETING 25 NOV	FIFTH MEETING 16 DEC	TOTAL 8
Saeid Mohammed Binzagr	Chairman	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Excused Absence	Attended Electronically	Attended Electronically	7
Ammar Ahmed Shata	Member	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	8
Khalil Ibrahim Fawaz	Member	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Excused Absence	Attended Electronically	Excused Absence	Attended Electronically	6
Yassir Kamil Sindi	Member	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	8
Ahmed Saud Ghouth	Member	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended	Attended	Attended	8

Attended Attended Electronically Excused Absence

SHARI'A ADVISORY

Alkhabeer Capital's Shari'a Advisory function is managed by the Shariyah Review Bureau (SRB) which provides product consultation, structuring, compliance certificates (Fatwas) and Shari'a supervisory audits. SRB employs around 33 of the world's leading and reputable Shari'a scholars from diverse geographical locations such as Saudi Arabia, Malaysia, Algeria, Egypt, UAE, Sudan, and Bahrain. They provide Alkhabeer Capital with a swift turnaround in Shari'a approvals and offer consultation and solutions to meet the Company's strategic business needs.

DISCLOSURE OF REMUNERATION AND COMPENSATION

The table below shows the details of the remuneration and compensation paid to the members of the Board of Directors:

DESCRIPTION	EXECUTIVE DIRECTORS (SAR)	NON-EXECUTIVE (SAR)	INDEPENDENT BOARD MEMBERS (SAR)
Allowance for attending committees	0	115,000	205,000
Allowance for attending sessions	-	120,000	700,000
Periodic and Annual Remuneration*	-	250,000	-
Incentive Plans	-	-	-
Any other compensation or in-kind benefits payable monthly or annually	-	-	-
Total	-	485,000	905,000

The table below details the bonuses and compensation payments paid to five senior executives who received the highest remuneration and compensation, including the CEO and CFO:

DESCRIPTION	FIVE OF THE SENIOR EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION AND COMPENSATION, INCLUDING THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER (SAR)
Salaries and Compensation	6,424,138
Allowances	2,029,862
Periodic and Annual Remuneration*	7,380,492
Incentive Plans	2,007,414
Commissions	801,115
Any other compensation or in-kind benefits payable monthly or annually	-

The data listed in the above table includes the following:

- Salaries and Compensation: Includes basic salary and fixed incentives.
- Allowances: Include housing and transport allowances, and meeting attendance fees.
- Periodic and Annual Remuneration: Includes annual incentives paid in cash.
- Incentive Plans: Include deferred remuneration, in accordance with the Company's remuneration policy.
- Any other compensation or in-kind benefits payable monthly or annually: Includes non-cash benefits payable to the employee.

ANY ARRANGEMENT OR AGREEMENT BY WHICH ANY BOARD MEMBER OR SENIOR EXECUTIVE IS ASSIGNED ANY REMUNERATION OR COMPENSATION

The Company has no knowledge of any arrangements or agreements pertaining to any assignment of salaries, remuneration or compensation by any Board member or senior executive.

MANAGEMENT COMMITTEES

The Executive Management is supported by the following Management Committees:

INVESTMENT COMMITTEE

The Investment Committee (IC) has an overall responsibility for reviewing the various corporate risks and approving their mitigation initiatives. The IC also approves investment proposals within the authority levels as mandated via Alkhabeer's authority matrix and ensures that up-to-date policies and procedures are in place.

The Investment Committee's sub-committees are:

- Assets & Liabilities Management Committee
- Product Development Committee

ASSETS AND LIABILITIES MANAGEMENT COMMITTEE

The Assets and Liabilities Management Committee (ALMC), which is chaired by the Executive Director, is the committee responsible for recommending the development of policies relating to the management of all assets and liabilities (balance sheet structure, funding structure, and hedging and investment limits) under the overall risk management framework. ALMC plays a crucial role in the liquidity risk management within Alkhabeer.

PRODUCT DEVELOPMENT COMMITTEE

The purpose of the Product Development Committee is to assist Alkhabeer's business lines in making enlightened decisions with regards to the introduction of new products or services, amendments to existing products or services, and supervision of the product development process.

COMPLIANCE COMMITTEE

The Compliance Committee, which is chaired by the Executive Director, is responsible for assisting the Board of Directors and the Company's Management team in overseeing the Company's compliance with the laws and regulations applicable to its business, specifically those of the Capital Market Authority, and compliance with internal policies and procedures, and the Corporate Governance Manual, while advising the Company's Management on best practices in compliance.

ENTERPRISE RISK MANAGEMENT COMMITTEE

The primary responsibility of this Committee is to ensure that sound policies, procedures and practices are in place for the enterprise-wide management of the Company's credit, market and operational risks.

PEOPLE MANAGEMENT COMMITTEE

The People Management Committee is responsible for periodically reviewing and monitoring the development of Alkhabeer's Human Capital. The Committee also identifies key critical positions, and ensures that a succession plan is developed and in place, and that the scale of remuneration is in line with the marketplace.

INFORMATION TECHNOLOGY COMMITTEE

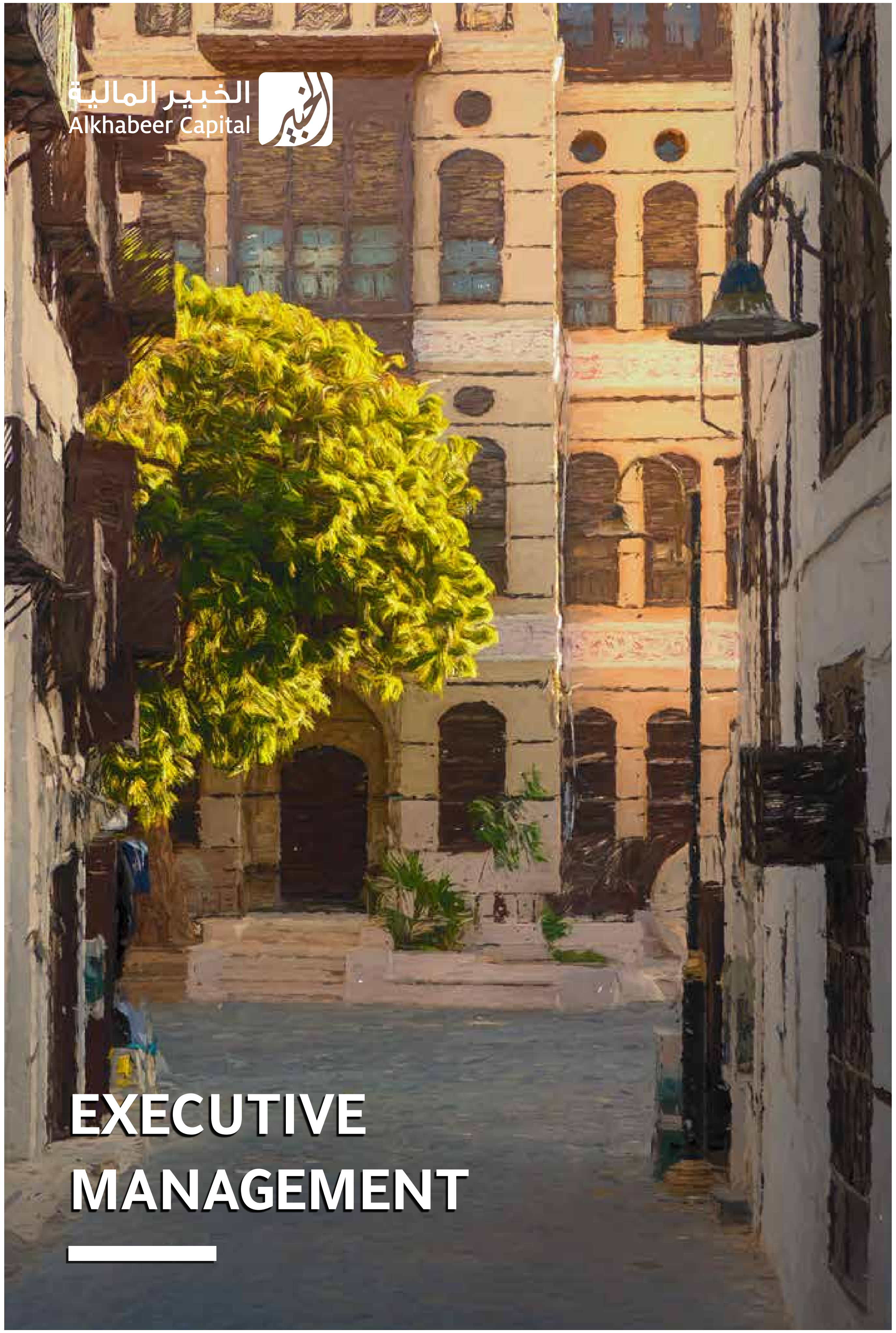
The Information Technology Committee is a management committee, whose primary purpose is to approve the Company's IT strategy and supervise its implementation. The Committee is also responsible for supervising the IT functionality from a business and risk point of view, and for ensuring proper segregation of duties (Chinese Walls), in line with compliance requirements. Additional responsibilities include ensuring that the IT policies and procedures are regularly updated, supervising the management of critical information in line with the Business Continuity Plan (BCP), and ensuring that the Disaster Recovery Plan (DRP) is tested at least once a year.

BUSINESS CONTINUITY MANAGEMENT COMMITTEE

The Business Continuity Management Committee's main objective is to ensure the effectiveness of the Company's business continuity plan and the safety of employees in case of a disaster (God forbid). In addition, the Committee is responsible for implementing a yearly emergency drill for evacuation of the Company's head office, in line with the CMA's instructions.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The main objective of the Corporate Social Responsibility Committee is to develop a clear and practical strategy for the social responsibility programs adopted by the Company and oversee the implementation of that strategy.



EXECUTIVE MANAGEMENT

Ammar Ahmed Shata
EXECUTIVE DIRECTOR

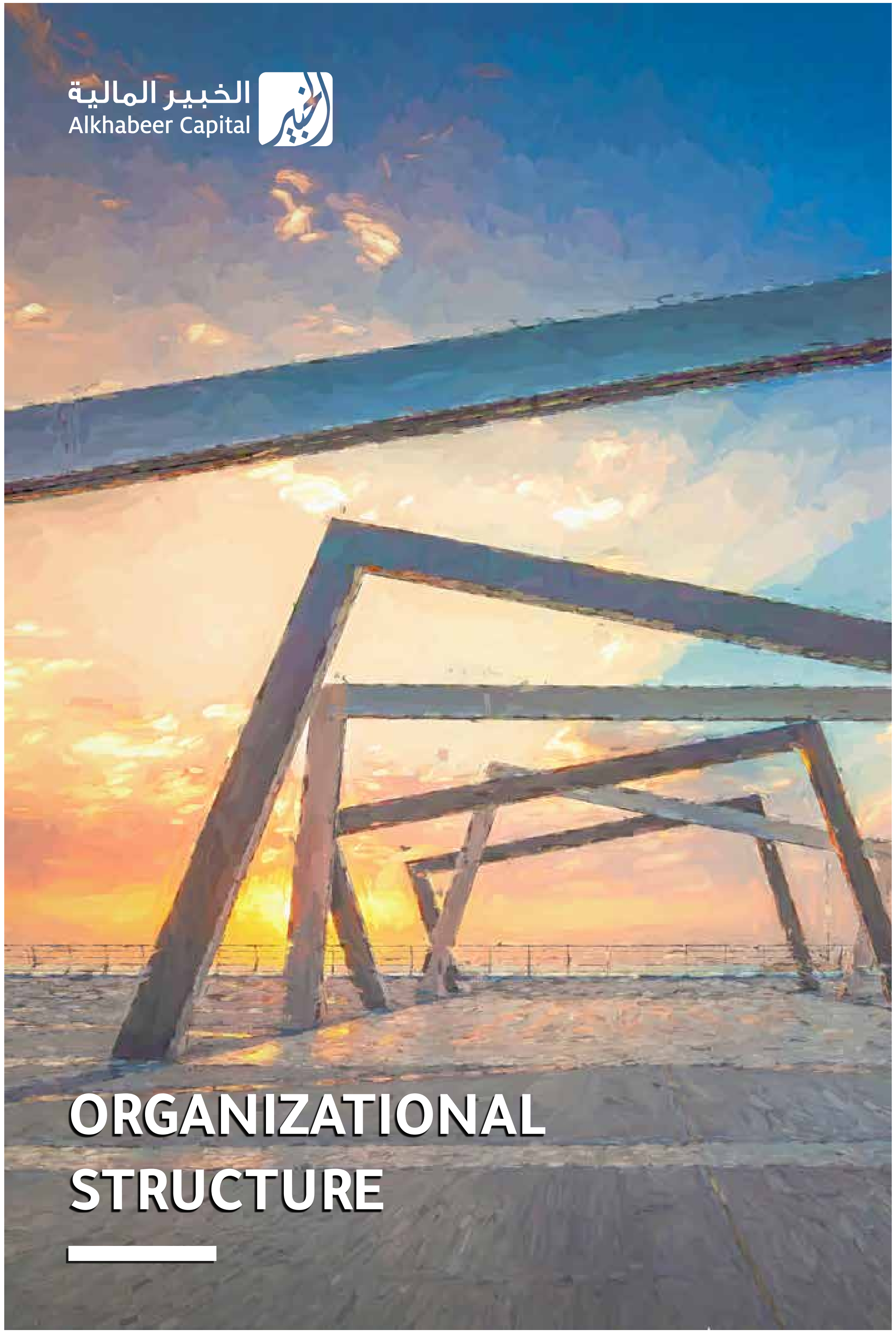
Ahmed Saud Ghouth
CHIEF EXECUTIVE OFFICER

Hisham Omar Baroom
DEPUTY CHIEF EXECUTIVE OFFICER

Tamer A. Abdelraheem
CHIEF FINANCIAL OFFICER

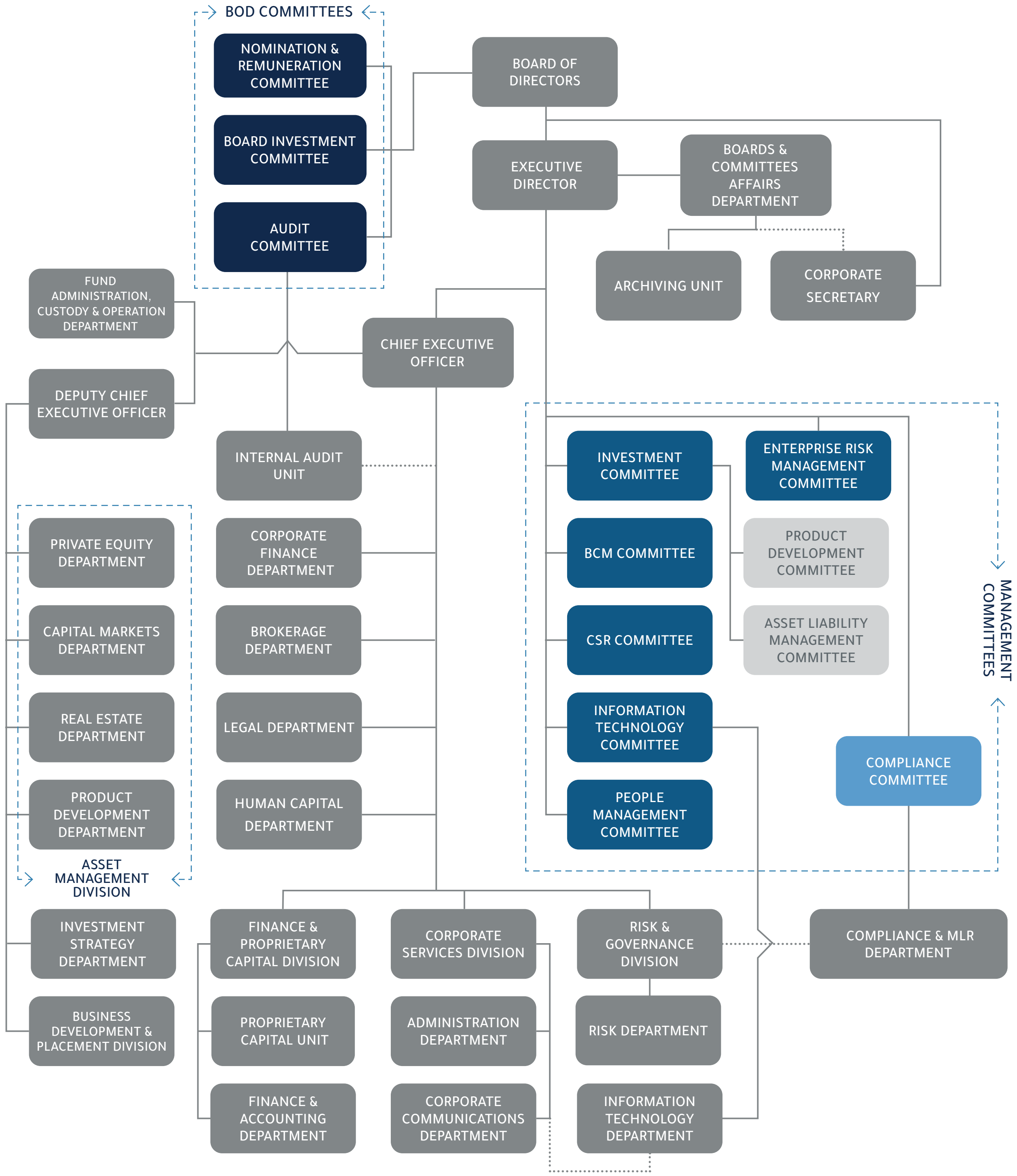
Ziad Nawfal
CHIEF INVESTMENT OFFICER

Ibrahim Shukri Saad
DIRECTOR, RISK AND GOVERNANCE DIVISION



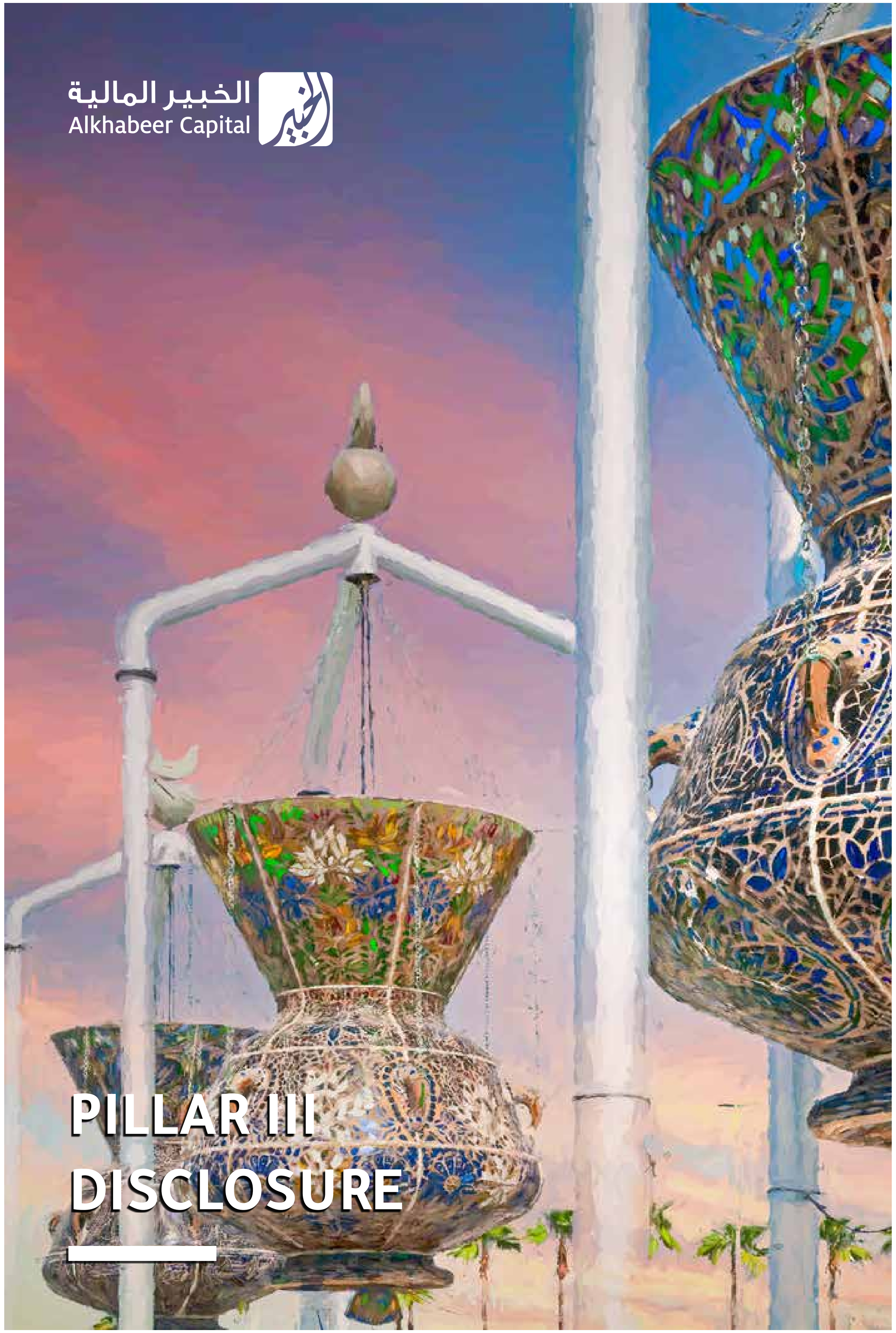
ORGANIZATIONAL STRUCTURE

Alkhabeer Capital's flat and flexible organizational structure encourages teamwork, both internally and with clients, to build strong enduring relationships that form the bedrock of the Company's business philosophy.



Division: More than one department / unit
Department: Two staff members or more
Unit: Less than two staff members

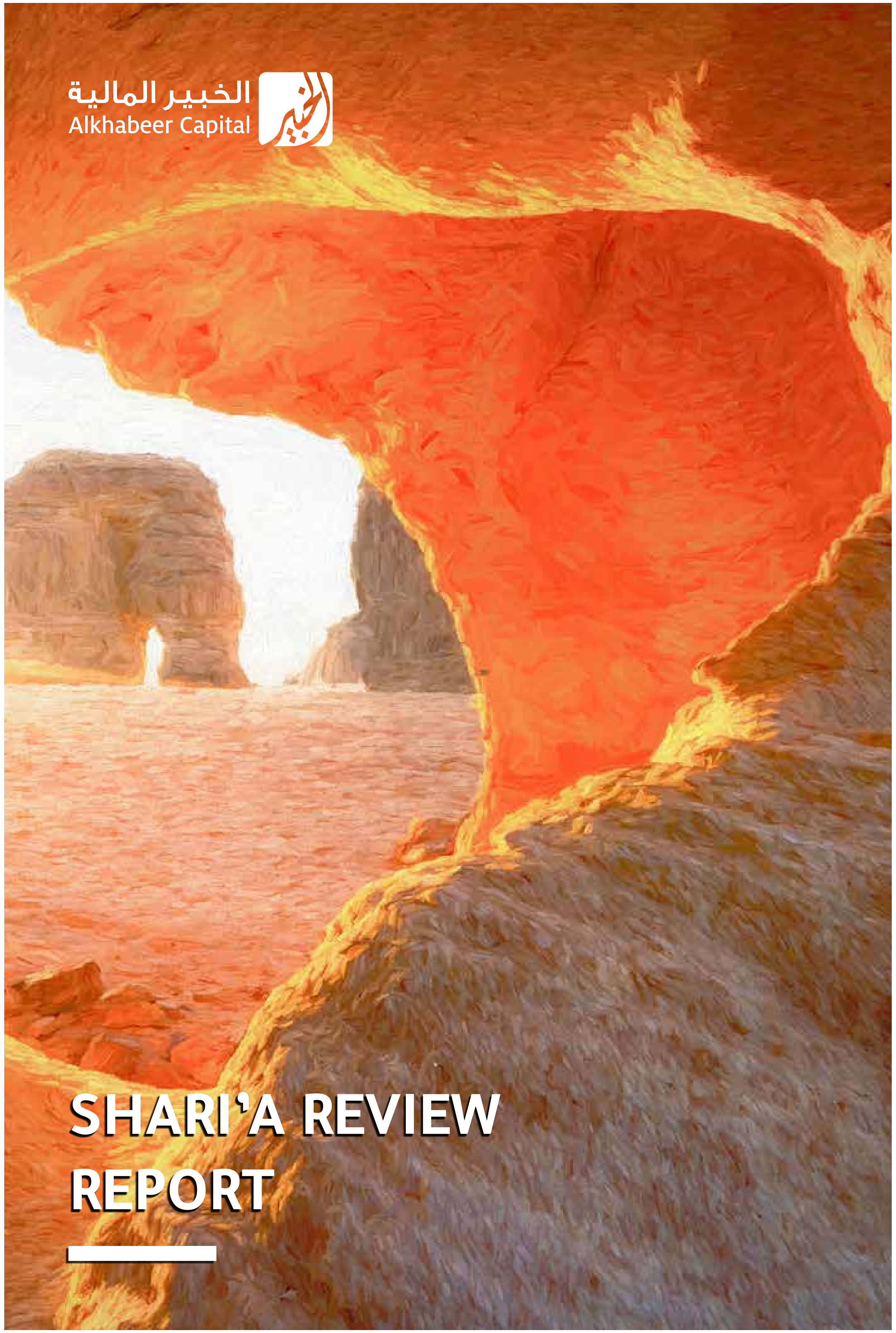
BOD Committees | Management Committees – Includes BOD Member | Management Committees | Management Sub-Committees | Shows Direct Reporting | Shows Administrative Reporting



PILLAR III DISCLOSURE

Based on the Capital Market Authority's requirements, a Pillar III Disclosure Report was prepared by the Company for 2020 and approved by the Board. A copy of the Report was uploaded to the Company's website at the following URL:

https://www.alkhabeer.com/wp-content/uploads/2021/03/Pillar-III-report-2020.pdf



SHARI'A REVIEW REPORT

AKC-668-31-02-03-21

SHARIYAH

بسم الله الرحمن الرحيم

Annual Shari'a Advisor Report to the Shareholders of Alkhabeer Capital

Praise be to Allah, Lord of the worlds, and peace and blessings be upon Mohammed, the leader of Prophets and Messengers, and upon his family and Companions, and upon those who follow his Guidance until the Day of Judgment.

It is our pleasure to present to you the Shari'a Advisor Report for Alkhabeer Capital (hereinafter 'Company'). In compliance with the letter of appointment we the undersigned have reviewed the Company's businesses & activities for the year ended 31st December 2020.

The prime responsibility for ensuring compliance with Shari'a standards and rules in all activities and business operations lie with the Company management. It is our responsibility to present an independent opinion of the Company's operations and to communicate it to the Shari'a Advisor.

We have reviewed all products, transactions, agreements and pertinent documentation adopted by the Company during year ended 31st December 2020 and an audit was conducted upon Company's activities as detailed in the Shari'a Audit report which was performed to ensure that the Company's activities were in compliance with the set rules, principles and guidelines in addition to soliciting all information, documentations that were deemed necessary to reach to sound conclusions.

Based on the above and taking in consideration the recommendations set out in the Shari'a Audit report, it is our opinion that the reviewed transactions, related documentation & processes, business activities and dealings entered into by the Company during the year ended 31st December 2020 are in compliance with the Islamic Shari'a Rules, Principles and Guidelines.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Shari'a Advisor
Sh. Muhammad Ahmad

20/04/2021

الخبير المالية
Alkhabeer Capital

FINANCIAL REPORT

FINANCIAL REPORT

الخبير المالية
Alkhabeer Capital

AUDITOR’S REPORT

AUDITOR’S REPORT

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

Registration No. 45/11/323
C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 221 8575

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR’S REPORT
To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company)

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA, 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 are responsible for overseeing the Company’s financial reporting process.

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

INDEPENDENT AUDITOR’S REPORT (continued)
To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company)

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

17 Sha'aban 1442H
30 March 2021

Jeddah

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 SR '000	2019 SR '000
ASSETS			
CURRENT ASSETS			
Cash at banks		**99,513**	112,174
Murabaha placements	5	**136,528**	46,963
Accounts receivable, prepayments and other receivables	6,7	**30,906**	39,972
Due from related parties	7	**139,698**	126,383
Investments at fair value through profit or loss	8	**180,000**	117,000
TOTAL CURRENT ASSETS		**586,645**	442,492
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	8	**1,100,615**	1,073,822
Murabaha placements	5	**93,000**	16,500
Right of use assets	9	**6,212**	6,988
Investment property	28	**147,538**	147,538
Property and equipment	10	**48,526**	48,540
TOTAL NON-CURRENT ASSETS		**1,395,891**	1,293,388
TOTAL ASSETS		**1,982,536**	1,735,880
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payables, accrued and other liabilities	11	**328,684**	140,399
Murabaha contracts	12	**428,358**	382,282
Sharia compliant financing	13	**81,138**	51,500
Lease liability	9	**621**	591
TOTAL CURRENT LIABILITIES		**838,801**	574,772
NON-CURRENT LIABILITIES			
Murabaha contracts	12	**210,200**	248,400
Sharia compliant financing	13	**-**	43,018
Employees' terminal benefits	14	**18,063**	14,199
Lease liability	9	**5,988**	6,609
TOTAL NON-CURRENT LIABILITIES		**234,251**	312,226
TOTAL LIABILITIES		**1,073,052**	886,998
SHAREHOLDERS' EQUITY			
Share capital	17	**894,523**	894,523
Statutory reserve	18	**35,574**	35,574
Accumulated loss		**(19,670)**	(81,299)
Actuarial (loss)/gain, net	14	**(943)**	84
TOTAL SHAREHOLDERS' EQUITY		**909,484**	848,882
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,982,536**	1,735,880

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 SR '000	2019 SR '000
INCOME			
Gain / (loss) from investments at fair value through profit or loss, net	8	**133,758**	(50,752)
Fee income	19	**55,406**	46,021
Dividend income		**8,957**	23,169
Income from Murabaha placements		**2,429**	6,637
TOTAL OPERATING INCOME		**200,550**	25,075
OPERATING EXPENSES			
Selling and marketing	20	**(6,932)**	(6,400)
General and administrative	21	**(96,174)**	(95,826)
TOTAL OPERATING EXPENSES		**(103,106)**	(102,226)
NET OPERATING INCOME / (LOSS)		**97,444**	(77,151)
Fair value gain/ (loss) on option	11	**5,535**	(5,535)
Murabaha and financing expenses	22	**(40,532)**	(42,182)
Finance cost on leased liabilities	9	**(309)**	(336)
Other income		**1,352**	1,350
PROFIT / (LOSS) FOR THE YEAR BEFORE ZAKAT AND TAX		**63,490**	(123,854)
Zakat and income tax	15	**(1,861)**	(3)
PROFIT / (LOSS) FOR THE YEAR AFTER ZAKAT AND TAX		**61,629**	(123,857)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the profit or loss			
Loss on re-measurement of employees' terminal benefits	14	**(1,027)**	(490)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**60,602**	(124,347)
BASIC AND DILUTED EARNINGS/ (LOSS) PER SHARE			
Weighted number of shares (in thousands)	17	**89,452**	86,741
Attributable to profit after zakat and income tax (in SR)	29	**0.69**	(1.43)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

	SHARE CAPITAL SR '000	STATUTORY RESERVE SR '000	RETAINED EARNINGS / (ACCUMULATED LOSSES) SR '000	ACTUARIAL (LOSS)/GAIN, NET SR '000	TOTAL SR '000
Balance at 1 January 2019	813,203	35,574	136,076	574	985,427
Loss after Zakat and tax	-	-	(123,857)	-	(123,857)
Other comprehensive loss (note 14)	-	-	-	(490)	(490)
Total comprehensive loss for the year	-	-	(123,857)	(490)	(124,347)
Increase in share capital (note 17)	81,320	-	(81,320)	-	-
Dividend (note 16)	-	-	(12,198)	-	(12,198)
Balance at 31 December 2019	894,523	35,574	(81,299)	84	848,882
Profit after Zakat and tax	-	-	61,629	-	61,629
Other comprehensive loss (note 14)	-	-	-	(1,027)	(1,027)
Total comprehensive income for the year	-	-	61,629	(1,027)	60,602
Balance at 31 December 2020	**894,523**	**35,574**	**(19,670)**	**(943)**	**909,484**

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	NOTES	2020 SR '000	2019 SR '000
OPERATING ACTIVITIES			
Gain /(loss) for the year before zakat and tax		**63,490**	(123,854)
Adjustments for:			
(Gain) / loss from investments at fair value through profit or loss, net	8	**(133,758)**	50,752
Fair value (gain) / loss on option	11	**(5,535)**	5,535
Depreciation	21	**3,209**	3,527
Depreciation of right of use assets	21	**776**	776
Provision for employees' terminal benefits	14	**3,272**	3,121
Gain on disposal of property and equipment		**2**	-
Finance cost on leased liabilities	9	**309**	336
Operating loss before changes in operating assets and liabilities		**(68,235)**	(59,807)
Changes in operating assets and liabilities			
Accounts receivable, prepayments and other receivables, net	6	**9,065**	(12,202)
Due from related parties	7	**(13,315)**	(38,213)
Accounts payable, accrued and other liabilities	11	**(4,324)**	(115,860)
Purchase of investments at FVTPL	8	**(251,815)**	(73,292)
Proceeds from disposal of investments at FVTPL	8	**304,061**	246,990
Cash used in operations		**(24,563)**	(52,384)
Employees' terminal benefits paid	14	**(435)**	(916)
Finance cost paid		**(309)**	(336)
Net cash used in operating activities		**(25,307)**	(53,636)
INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(3,195)**	(4,907)
Proceeds from disposal of property and equipment		**2**	-
Net movement in Murabaha placements	5	**21,935**	144,237
Net cash from investing activities		**18,742**	139,330
FINANCING ACTIVITIES			
Murabaha contracts	12	**7,875**	142,732
Sharia compliant financing	13	**(13,380)**	(125,880)
Dividends paid	16	**-**	(12,198)
Payment of principal portion of lease liabilities	9	**(591)**	(564)
Net cash from financing activities		**(6,096)**	4,090
Net (decrease)/ increase in cash and cash equivalents		**(12,661)**	89,784
Cash and cash equivalents at the beginning of the year		**112,174**	22,390
Cash and cash equivalents at the end of the year		**99,513**	112,174
NON-CASH SUPPLEMENTARY INFORMATION			
Investment purchased against opening receivable	6	**-**	52,465
Payable against investment purchased during the year	11	**196,281**	28,445
Right of use asset and leased liabilities	9	**-**	7,764
Lease liability	9	**-**	7,200
Fund equity reduced by placement of Murabaha	5	**188,000**	46,000

NOTES TO THE FINANCIAL STATEMENTS

At 31 DECEMBER 2020

1. ORGANIZATION AND ACTIVITIES

AlKhabeer Capital ("AKC", or "the Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445 dated 14 Rabi Awal 1429H (corresponding to 22 March 2008). The Commercial Registration of the Company was amended on 14 Shawal 1430H (corresponding to 5 October 2009) by virtue of which the name of the Company was amended from AlKhabeer Merchant Finance Corporation to AlKhabeer Capital.

The Company is engaged in the following activities in accordance with the Capital Market Authority's Resolution no. H/T/919 dated 3 Rabi a' Thani 1429H (corresponding to 9 April 2008) and License No. 07074-37:

a) Arranging
b) Managing
c) Advising
d) Custody
e) Underwriting; and
f) Dealing as principal

The Company's registered office is located at the following address:

AlKhabeer Capital
Al-Madina Road, P.O. Box 128289, Jeddah
Saudi Arabia

As at 31 December 2020, the Company operates through a branch with commercial registration 1010439273 registered in Riyadh (31 December 2019: same). The accompanying financial statements include the assets, liabilities and results of this branch.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Company has multiple unrelated investors and holds multiple investments (in various funds and Companies managed by the Company). Ownership interests in the Company are in the form of ordinary units/shares. The Company has been deemed to meet the definition of an investment entity as per IFRS 10 "Consolidated Financial Statements" as the following conditions exist;

a) The Company has obtained funds for purpose of providing investors with professional investment management services;
b) The Company's business purpose is investing for capital appreciation and investment income; and
c) The investments are measured and evaluated on a fair value basis.

Since the Company meets the definition of an investment entity as per the guidance given in IFRS 10 "Consolidated Financial Statements" (note 3), it is exempted from consolidating the underlying funds and from the application of IFRS 3 "Business Combinations" when it obtains control of another entity. Such unconsolidated funds are, instead, measured and classified by the Company as 'financial asset at fair value through profit or loss' in accordance with IFRS 9 "Financial Instruments".

2.2 BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost convention, except for investments measured at fair value through profit or loss.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency of the Company. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand, unless otherwise stated.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

JUDGEMENTS

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most relevant effect on the amounts recognised in the financial statements.

GOING CONCERN

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

DEFERRED TAXES

Deferred tax assets / liabilities are recognised for temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

ESTIMATES AND ASSUMPTIONS

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

FAIR VALUE ESTIMATION OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Management uses a standard and consistent valuation technique to ascertain the fair values. In all cases, management uses the reported net asset values (NAV) of the investee funds/companies as their fair valuation. However, the NAV of the funds/companies are assessed based on the fair values estimates using various techniques as deemed necessary including but not limited to discounted cash flows, comparable transactions, earning multiples, etc. If necessary, adjustments to the NAV are made to obtain the best estimate of fair value. In addition to the NAV, the valuation is based on management's best estimate considering recent purchase or sale transactions, available financial information or other suitable indicators of the fair value.

IMPAIRMENT CHARGE FOR EXPECTED CREDIT LOSSES OF FINANCIAL ASSES

The Company uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions as well as the available security. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in note 23.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit 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 values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

USEFUL LIVES OF PROPERTY AND EQUIPMENT

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

ACTUARIAL VALUATION OF EMPLOYEES' END OF SERVICE BENEFITS

The cost of the employees' end of service benefit plan under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

PROVISIONS

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

INVESTMENT ENTITY

An investment entity is an investment fund or investment company that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's objective by investing the managed funds/companies remain to be earning fee and capital appreciation. All investments are reported at fair values. The Company has a clearly documented exit strategy for all of its investments. The Company meets the definition the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of units, shares and similar securities; it has more than one investor and its investors are not related parties. Management has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any, if these criteria or characteristics change.

DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATION OPTIONS - COMPANY AS LESSEE

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

LEASES - ESTIMATING THE INCREMENTAL BORROWING RATE

The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

IMPACT OF COVID 19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe including Saudi Arabia. During the year ended 31 December 2020, the Saudi Arabian government rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice.

Considering these factors, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like dealing with customers and investors, identifying appropriate investment opportunities, management of assets, collections, uninterrupted and ongoing operational activities, working capital requirements, etc. and concluded that, as at the issuance date of these financial statements, the Company did not have significant adverse impact on its operations and businesses due to COVID-19 pandemic. In addition, at the time of applying a technique to assess the fair valuation of the underlying investment and resultant NAV of the funds, management has taken into account the COVID -19 impact on the volatility, if any, depending on the nature and operations of the underlying assets.

The activities of the Company were not significantly impacted by the restrictions imposed on account of COVID-19. To preserve the health of the employees and continued operations, the Company took measures, in line with the recommendations of the World Health Organisation and Ministry of Health - Kingdom of Saudi Arabia, such as working from home, social distancing at work place, rigorous cleaning of workplaces and staff accommodation, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature. In addition, the Company's nature of activities facilitated seamless operations during the pandemic.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken by the Company to date and the continued activity ensures that the Company has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

2.5 IMPACT OF NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39 INTEREST RATE BENCHMARK REFORM

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Company will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Company needs to ensure it has appropriate accounting policies and governance in place.

These amendments had no impact on the financial statements of the Company.

AMENDMENT TO IAS 1 AND IAS 8: DEFINITION OF MATERIAL

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

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON 29 MARCH 2018

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

AMENDMENT TO IFRS 16: COVID 19 RELATED RENT CONCESSIONS

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 2.5, in the preparation of these financial statements.

3.1 FOREIGN CURRENCIES

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised as other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

3.2 CURRENT VERSUS NON-CURRENT CLASSIFICATION

ASSETS

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as non-current.

LIABILITIES

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.3 FAIR VALUE MEASUREMENT

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date.

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

3.4 IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

FINANCIAL ASSETS

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company also take into account the underlying securities as well as its rights to claim. In all cases, the Company has a priority claim as fund manager over the cash flows generated by the respective fund. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment

The Company considers a financial asset in default when payments are not made as per contractual terms which may vary from obligor to obligor. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NON-FINANCIAL ASSETS

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise balances with banks, cash on hand, and short term Murabaha placements, with original maturities of 90 days or less three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances, cash and short-term Murabaha placements as defined above.

3.6 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I) FINANCIAL ASSETS

INITIAL RECOGNITION AND MEASUREMENT

The Company's financial assets consist of cash and bank balances, Murabaha placements, accounts receivable, investments at fair value through profit or loss due from related parties and financial liabilities consist of Murabaha contracts, Sharia compliant financing and accounts and other payables. Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost

b) Financial assets at fair value through OCI (FVOCI)

c) Financial assets at fair value through profit or loss

(FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 profit on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade and other receivables.

B) FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI

DEBT INSTRUMENTS

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

EQUITY INSTRUMENTS

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

C) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Financial assets classified as fair value through profit or loss comprise investments in a short term discretionary portfolio and funds managed by the Company, are acquired principally for the purpose of selling or repurchasing in the short term.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the funds which is reflective of the fair value of these securities.

BUSINESS MODEL ASSESSMENT

The Company makes an assessment of the objective of a business model under which an asset is held, 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 fund and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the fund 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 in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

ASSESSMENTS WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND PROFIT ("SPPP" CRITERIA)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic placement risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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 the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

II) FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financing, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable, other liabilities, Shariah compliant financing and murabaha contract.

SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification, as described below:

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

AMORTISED COST

After initial recognition, long term payables are subsequently measured at amortised cost using the EPR method. Gains and losses as a result of unwinding of profit cost through EPR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the statement of profit or loss.

III) DERECOGNITION

FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

IV) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.7 INVESTMENT PROPERTIES

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using cost model.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement for profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.8 PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Expenditure for repairs and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Gains or losses on sale or retirement of property and equipment are included in the statement of profit or loss.

The estimated useful lives of the principal classes of assets are as follows:

	YEARS
Building	25
Leasehold improvements	4 - 11
Office and computer equipment	3-4
Furniture and fixtures	4
Vehicles	5

3.9 FIDUCIARY ASSETS

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, and accordingly, are not included in the statement of financial position. Details of these assets, are disclosed in note 25 of the financial statements.

3.10 PROVISIONS

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 recognised as a finance cost.

3.11 LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.12 EMPLOYEES' BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related services are 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.

POST-EMPLOYMENT BENEFITS

The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net profit expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net profit expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

3.13 REVENUE RECOGNITION

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Company when those inflows result in increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at fair value of consideration received or receivable. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Company, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Company applies a five-step model to determine when to recognize revenue and at what amount.

- Step:1 Identify the contract with the customer
- Step:2 Identify the performance obligations in the contract
- Step:3 Determine the transaction price
- Step:4 Allocate the transaction price to the performance obligations in the contract
- Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Accordingly, the Company recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

- Fixed fees received under financial services agreements are non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestones have been met or the agreement is terminated.
- Success fees are recognized when the related financing has been successfully raised for the client.
- Management and custody fees are recognized on a time apportioned basis.
- Finance income on Murabaha placements is recognised on a time apportioned basis.
- Dividend income is recognised when the right to receive payment is established.

3.14 EXPENSES

Selling and distribution expenses are those that specifically relate to marketing expenditure. All other expenses are classified as general and administration expenses.

3.15 ZAKAT AND INCOME TAX

ZAKAT

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") and is charged to the statements of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

DEFERRED INCOME TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

WITHHOLDING TAX

The Company companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.16 DIVIDEND DISTRIBUTIONS

The Company recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognized in statement of changes in shareholders' equity.

3.17 VALUE ADDED TAX (VAT)

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

4.1 IFRS 17 INSURANCE CONTRACTS

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

4.2 AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company will assess the impact of the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4.3 REFERENCE TO THE CONCEPTUAL FRAMEWORK - AMENDMENTS TO IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not applicable to the Company.

4.4 PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE - AMENDMENTS TO IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have an impact on the financial statements of the Company.

4.5 ONEROUS CONTRACTS - COSTS OF FULFILLING A CONTRACT - AMENDMENTS TO IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have an impact on the financial statements of the Company.

4.6 IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - SUBSIDIARY AS A FIRST-TIME ADOPTER

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Company.

4.7 IFRS 9 FINANCIAL INSTRUMENTS - FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have an impact on the financial statements of the Company.

4.8 IAS 41 AGRICULTURE - TAXATION IN FAIR VALUE MEASUREMENTS

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Company.

5. MURABAHA PLACEMENTS

	31 December 2020 SR '000	31 December 2019 SR '000
Murabaha placement	**229,528**	63,463
Less: included in current assets	**(136,528)**	(46,963)
Long-term	**93,000**	16,500

Murabaha placements are primarily with funds managed by the Company, carry profit rate ranging from 4% to 6.5% per annum (31 December 2019: 4.25% to 6.5% per annum) and are subject to 0.25% per annum (31 December 2019: 0.25% per annum) management fee to the Company.

6. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020 SR'000	31 December 2019 SR'000
Dividend receivable	**10,196**	4,900
Advance against investment (note a)	**6,145**	17,107
Deferred consideration (note a)	**-**	6,110
Subscription fee receivable	**4,593**	-
Margin deposit (note b)	**3,850**	3,850
Accounts receivable	**1,080**	2,896
Allowance for impairment against accounts receivable (note c)	**(1,080)**	(2,896)
Advances to suppliers	**990**	2,909
Prepayments	**1,517**	1,577
Other receivables	**3,615**	3,519
	30,906	39,972

a) In 2019, the Company entered into an agreement to acquire an investment and consideration to be paid if the underlying asset of the fund will achieve certain performance benchmark. Accordingly, the Company, based on its assessment, recorded the amount with equal amount of liability that may be paid to the fund. During the year 2020, the performance threshold is met, the liability is settled. However, as per the terms of the fund's incorporating documents, the units can only be issued to the Company once the NAV of the fund for 2020 is approved. As the approval of the NAV is due in 2021, accordingly, currently the amount is classified as "advance against investment".

b) The Company has maintained a margin deposit of SR 3.85 million (31 December 2019: SR 3.85 million) with a local bank in respect of a guarantees issued in favour of GAZT (note 15).

c) The movement in allowance for impairment against accounts receivable is as follows:

	For the year ended 31 December 2020 SR'000	For the year ended 31 December 2019 SR'000
Opening balance	**2,896**	2,896
Less: written off	**(1,816)**	-
Closing balance	**1,080**	2,896

7. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related parties represent directors and key management personnel of the Company, fund and entities managed, controlled or significantly influences by the Company or by such parties. The pricing and terms are approved by the management of the Company. Significant related party transaction during the year and balances arising are described below:

		AMOUNT OF TRANSACTIONS FOR THE YEAR ENDED		BALANCES AS AT	
TRANSACTIONS WITH	NATURE OF TRANSACTIONS	**31 December 2020 SR'000**	31 December 2019 SR'000	**31 December 2020 SR'000**	31 December 2019 SR'000
Due from related parties					
Funds under management and Companies	Investments acquired during the year by the Company	**448,096**	154,202	**1,280,615**	1,190,822
	Investment disposed during the year by the Company	**(492,061)**	(292,990)		
	Gain/ (loss) recorded on investments at fair value through profit or loss	**133,758**	(50,752)		
	Expenses and advances	**9,043**	5,101	**14,021**	23,064
	Management, custody and subscription fees reduced by payments received	**22,358**	33,112	**125,677**	103,319
	Gain from sale of equity and property investment to managed funds and companies as referred above	**220,304**	66,793	**-**	-
				139,698	126,383
	Murabaha placement and repayment during the year and their balances with the funds managed by the Company	**168,750**	112,000	**214,750**	46,000
	Settlement and advance against investment in the units of the fund	**(10,962)**	17,107	**6,145**	17,107
	Dividend received during the year and receivable from funds	**5,296**	-	**10,196**	4,900
	Subscription fees from fund issued to public	**4,594**	-	**4,594**	-

b) The Company has issued a corporate guarantee on behalf of a related party (note 26 'd').

c) Key management personnel including members of the Board of Directors of the Company comprise key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Salaries and other short-term benefits	**17,013**	16,464
Post-employment benefits	**1,093**	1,074
	18,106	17,538

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company meets the definition of an "investment entity". Accordingly, its investments in managed funds and companies are carried at their fair value through profit or loss as "investments at fair value through profit or loss".

The movement in the investments at fair value through profit or loss for the year ended 31 December is as follows:

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Opening balance	**1,190,822**	1,380,362
Purchased during the year	**448,096**	101,737
Transfers	**-**	52,465
Capital distribution	**(32,900)**	-
Sold during the year	**(459,161)**	(292,990)
Fair value gain / (loss), net	**133,758**	(50,752)
	1,280,615	1,190,822
Less: included in the current assets (see note 30(a))	**(180,000)**	(117,000)
Long term	**1,100,615**	1,073,822

a) During financial year 2019, the Company acquired an investment against outstanding receivable of 52.46 million. The seller had the option to buy back the investment within one year at the price sold of SR 52.46 million. The Company fair valued the investment and transferred it to a fund managed by the Company and, simultaneously, recorded a corresponding fair value liability of the option (note 11). During 2020, the seller could not buy back the investment and the option has expired.

b) Certain of the investments amounting to SR 141 million (2019: SR 162 million) are pledged against Sharia Compliant borrowings (note 13).

c) Alkhabeer Education Private Equity Fund V, Alkhabeer Education Private Equity Fund VI and Alkhabeer Education Private Equity Fund VII have been incorporated during the year.

D) During the year, the Company sold its investment in Alkhabeer REIT and dissolved Alkhabeer Industrial Private Equity Fund I.

E) The details of the Company's holding in the managed funds and the companies are as follows:

NAME OF FUND	31 December 2020 %	31 December 2019 %
Alkhabeer US Real Estate Income Fund I	**11%**	11%
Alkhabeer Industrial Private Equity Fund I	**-**	1%
Alkhabeer Healthcare Private Equity Fund I	**9%**	9%
Alkhabeer Real Estate Opportunity Fund I	**38%**	38%
Alkhabeer Real Estate Residential Development Fund II	**8%**	8%
Alkhabeer Education Private Equity Fund I	**28%**	28%
Alkhabeer Hospitality Fund I	**75%**	75%
Alkhabeer Real Estate Opportunity Fund II	**100%**	100%
Alkhabeer REIT Fund	**-**	7%
Alkhabeer Education Private Equity Fund II	**84%**	88%
Alkhabeer Education Private Equity Fund III	**83%**	90%
Alkhabeer Education Private Equity Fund IV	**98%**	100%
Alkhabeer Education Private Equity Fund V	**100%**	-
Alkhabeer Education Private Equity Fund VI	**100%**	-
Alkhabeer Education Private Equity Fund VII	**100%**	-
NAME OF COMPANIES		
Alkhabeer Industrial Private Equity Company - III Ltd.	**40%**	40%
Alkhabeer GCC Opportunity Company	**0.05%**	87%

f) Breakdown of investments by sector is as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Investment in:		
Real Estate	**391,919**	747,308
Private Equity	**888,696**	443,514
	1,280,615	1,190,822

9. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	31 December 2020 SR '000	31 December 2019 SR '000
Opening asset balance	**6,988**	-
IFRS transition adjustments	**-**	7,764
Less: depreciation for the year	**(776)**	(776)
As at 31 December 2020	**6,212**	6,988

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31 December 2020 SR '000	31 December 2019 SR '000
Opening lease liability	**7,200**	-
IFRS transition adjustments	**-**	7,764
Payment of principal portion of lease liabilities during the year	**(591)**	(564)
Lease liability as at 31 December 2020	**6,609**	7,200
Included in current liabilities	**(621)**	(591)
Long term portion of lease liability	**5,988**	6,609

The following are the amounts recognized in profit or loss:

	31 ديسمبر 2020م ريال سعودي (بالآلاف)	31 ديسمبر 2019م ريال سعودي (بالآلاف)
Depreciation expense of right-of-use assets	**776**	776
Finance cost on leased liabilities	**309**	336
Total amount recognized in profit or loss	**1,085**	1,112

10. PROPERTY AND EQUIPMENT

	LAND SR '000	BUILDING SR '000	LEASEHOLD IMPROVEMENTS SR '000	OFFICE AND COMPUTER EQUIPMENT SR '000	FURNITURE AND FIXTURES SR '000	VEHICLES SR '000	CAPITAL WORK IN PROGRESS (NOTE A) SR '000	31 DECEMBER 2020 SR '000
Cost								
At the beginning of the year	6,966	38,395	10,961	19,336	1,315	396	2,268	79,637
Additions	-	-	-	749	666	-	1,780	3,195
Disposals	-	-	-	(95)	-	-	-	(95)
At the end of the year	6,966	38,395	10,961	19,990	1,981	396	4,048	82,737
Accumulated depreciation								
At the beginning of the year	-	7,960	3,728	17,834	1,225	350	-	31,097
Depreciation (note 21)	-	1,435	807	905	29	33	-	3,209
Related to disposals	-	-	-	(95)	-	-	-	(95)
At the end of the year	-	9,395	4,535	18,644	1,254	383	-	34,211
Net book amounts								
At 31 December 2020	6,966	29,000	6,426	1,346	727	13	4,048	48,526

a) Capital work in progress relates to contractor payments for construction and renovation work on the building owned by the Company.

	LAND SR '000	BUILDING SR '000	LEASEHOLD IMPROVEMENTS SR '000	OFFICE AND COMPUTER EQUIPMENT SR '000	FURNITURE AND FIXTURES SR '000	VEHICLES SR '000	CAPITAL WORK IN PROGRESS SR '000	31 DECEMBER 2019 SR '000
Cost								
At the beginning of the year	6,966	34,804	10,961	18,972	1,301	396	1,509	74,909
Additions	-	-	-	677	14	-	4,350	5,041
Transfers (note a)	-	3,591	-	-	-	-	(3,591)	-
Disposals	-	-	-	(313)	-	-	-	(313)
At the end of the year	6,966	38,395	10,961	19,336	1,315	396	2,268	79,637
Accumulated depreciation								
At the beginning of the year	-	6,669	2,921	16,665	1,194	300	-	27,749
Depreciation (note 21)	-	1,291	807	1,348	31	50	-	3,527
Related to disposals	-	-	-	(179)	-	-	-	(179)
At the end of the year	-	7,960	3,728	17,834	1,225	350	-	31,097
Net book amounts								
At 31 December 2019	6,966	30,435	7,233	1,502	90	46	2,268	48,540

11. ACCOUNT PAYABLES, ACCRUED AND OTHER LIABILITIES

	31 December 2020 SR '000	31 December 2019 SR '000
Payable against investment purchased (note a)	**198,376**	28,445
Fair value of the option (note 8)	**-**	5,535
Deferred consideration (note 6)	**-**	6,110
Accounts payable	**14,302**	15,040
Remuneration payable to employees	**20,822**	10,375
Accrued expenses	**42,019**	24,205
Other provisions	**48,000**	48,000
Zakat and income tax (Note 15)	**1,861**	-
Other payables	**3,304**	2,689
	328,684	140,399

a) During the year, the Company purchased investment amounting to SR 448.1 million (note 8). The amount represents the outstanding payable against purchase of those investments. Subsequent to year end, the Company has settled SR 51 million and the remaining amount is expected to be settled in 2021.

12. MURABAHA CONTRACTS

This represent commodity Murabaha contracts executed with investors through Discretionary Portfolio Managers (DPMs). The murabaha contracts are unsecured, carry profit rate ranging from 4% to 6.5% per annum (31 December 2019: 4.25% to 6.5% per annum) and are subject to nil to 0.5% per annum (31 December 2019: 0.25% to 0.5% per annum) management fee.

	31 December 2020 SR '000	31 December 2019 SR '000
Murabaha contracts	**638,558**	630,682
Less: included in current liabilities	**(428,358)**	(382,282)
Long-term	**210,200**	248,400

13. SHARIA COMPLIANT FINANCING

a) During 2016, the Company obtained a sharia compliant financing from a local bank with an approved limit of SR 100 million to be repaid over 5 years. The Company has drawn down SR 50 million on 11 August 2016 and SR 50 million on 30 October 2016. The financing carries commercial profit and is secured against certain "investments at fair value through profit or loss" and all returns generated from respective investments (note 8).

b) During 2017, the Company obtained a sharia compliant financing from a local bank amounting to SR 150 million. The facility is repayable over a period of two years starting from June 2018. However, during the year, instalment amount of SR 37.5 million was deferred till 31 March 2021 as per the SAMA deferred payment program. The financing carry agreed profit margin and is secured against certain "investments at fair value through profit or loss" and all returns generated from respective investments.

	31 December 2020 SR '000	31 December 2019 SR '000
Sharia compliant financing	**81,138**	94,518
Less: included in current liabilities	**(81,138)**	(51,500)
Long-term included in non-current liabilities	**-**	43,018

14. EMPLOYEES' TERMINAL BENEFITS

Changes in the present value of defined benefit obligation are as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Balance at the beginning of the year	**14,199**	11,504
Current service cost	**2,813**	2,591
Profit	**459**	530
Benefits paid	**(435)**	(916)
Actuarial gain, net	**1,027**	490
Balance at the end of the year	**18,063**	14,199

Principal assumptions used in determining defined benefit obligation are as shown below:

	31 December 2020 SR '000	31 December 2019 SR '000
Discount rate	**2.50%**	3.11%
Salary increase	**2%**	2.25%
Staff withdrawal rate	**6%**	6%

15. ZAKAT AND INCOME TAX

Provision for zakat and income tax as at the statement of financial position date is as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Zakat for current year	**1,700**	-
Zakat for prior year	**-**	3
Income tax	**161**	-
	1,861	3

Zakat provision was estimated as follows:

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Equity	**851,871**	969,391
Other adjustments	**544,748**	456,742
Book value of long term assets	**(1,453,495)**	(1,364,952)
	(56,876)	61,181
Saudi Shareholders' share of adjusted income for the year*	**67,998**	(118,869)
Adjusted zakat base	**11,122**	(57,688)

* Zakat calculated on the adjusted income for the year being higher than the adjusted zakat base.

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with relevant fiscal regulations.

MOVEMENT IN PROVISION DURING THE YEAR

The movement in zakat provision for the year was as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Balance at the beginning of the year	**-**	1,438
Charge for the current year	**1,700**	-
Charge for prior year	**-**	3
Adjusted / paid during the year	-	(1,441)
Balance at the end of the year	**1,700**	-

INCOME TAX

Income tax charges are based on the adjusted taxable income calculated on the portion of equity owned by the foreign shareholder. The significant tax adjustments made to accounting net income relate to depreciation, employees' termination benefits and provision against doubtful receivables. Management believe that impact of deferred tax, if any, is not material to the financial statements.

MOVEMENT IN PROVISION DURING THE YEAR

The movement in income tax provision for the year was as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Balance at the beginning of the year	-	157
Charge for the year	161	-
Paid during the year	-	(157)
Balance at the end of the year	161	-

STATUS OF ASSESSMENTS

In earlier years, General Authority of Zakat and Tax (GAZT) raised an assessment with additional liability amounting to SR 10.36 million for the period ended 31 December 2008. The Company filed an appeal with the former Preliminary Appeal Committee (POC) against GAZT's assessment which is partially accepted. The Company was not satisfied with the POC decision and filed second appeal with the former Higher Appeal Committee (HAC). The HAC rendered its decision upholding POC decision and GAZT's treatment. The Company then filed an appeal to Board of Grievance (BOG) against HAC decision and lodged a bank guarantee against the disputed liability. Pending BOG decision, the Company, in year 2019, appealed to Settlement Committee. Settlement Committee decided that the Company to pay SR 5.1 million representing 50% of the disputed amount. Accordingly, GAZT instructed the bank to release the subject bank guarantee.

GAZT raised an assessment with an additional liability amounting to SR 3.85 million for the year ended 31 December 2009. The Company filed an appeal with POC against the GAZT assessment. The POC rendered its decision and upheld the GAZT's treatment. The Company has filed an appeal to HAC against POC decision and lodged a bank guarantee against GAZT assessment. For 2009, the HAC accepted the Company's dispute on certain items while endorsing the GAZT views on other items, reducing 2009 additional Zakat liability to SR 3.5 million. The Company planned to submit an earnest request to present fresh documents in the forthcoming hearing session.

GAZT also raised an assessment with an additional liability amounting to SR 9.36 million for the year ended 31 December 2010. The Company filed an objection against the GAZT assessment.

The GAZT has issued an assessment for the year ended 31 December 2017 and raised an additional tax and Zakat liability amounting to SR 35.8 million. The additional liability is principally on account of disallowed investments. The Company filed an objection against the GAZT assessment. The Company also registered the case with GSTC and provided comments on the GAZT's response. However, if investments are disallowed as a deduction from the Zakat base for the year 2017, it would result in potential Zakat liability to the Company which remains an industry wide unsolved issue and as of now, in view of the fact that zakat Regulations in Saudi Arabia are subject to different interpretations, it is not possible to assess any potential zakat impact reliably.

The Company's management is expecting a favourable decision regarding the above appeals.

The Company has filed its tax and zakat returns for all the years ended 31 December 2019 and obtained restricted Zakat certificate valid until 30 April 2021.

16. DIVIDEND

During 2018, the Annual General Meeting of the Company approved a dividend of 3% of paid up capital amounting to SR 24,396 thousands through its 8th meeting held on 13 May 2018. Subsequently, the Extra Ordinary General Meeting of the Company deferred 1.5% of the approved dividend amounting to SR 12,198 thousands through its meeting held on 24 December 2018 to be paid in 2019. There was no dividend declared during the current year (2019: Nil).

17. SHARE CAPITAL

On 27 Sha'ban 1440H corresponding to 2 May 2019, the Company's share capital was increased from SR 813,202,930 to SR 894,523,230 by transferring the amount from retained earnings to share capital in proportion to the existing shareholding structure. Accordingly, the share capital of the Company, amounting to SR 894,523,230 is divided into 89,452,322 shares of SR 10 each (31 December 2019: 89,452,322 shares of SR 10 each).

The Company is owned 98.43% by Saudi shareholders and 1.57% by foreign shareholders (31 December 2019: same).

18. STATUTORY RESERVE

In accordance with the Companies law, a minimum of 10% of the annual net income for the year is required to be transferred to the statutory reserve.

In accordance with Companies law and the Company Bye-laws, 10% of the profit for the year has been transferred to statutory reserves in the prior years. The Company has resolved to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

19. FEE INCOME

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Advisory fees	125	-
Management, custody and subscription fees	45,195	46,021
Structure fee	10,086	-
	55,406	46,021

20. SELLING AND MARKETING EXPENSES

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Salaries and benefits	3,738	4,801
Other	3,194	1,599
	6,932	6,400

21. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Salaries and benefits	**60,069**	48,549
Legal and consultancy	**17,645**	20,753
Communication	**3,040**	7,474
Business travel	**977**	3,074
Depreciation (note 10)	**3,209**	3,527
Depreciation on right of use assets (note 9)	**776**	776
Rent and premises related expenses	**445**	506
Office supplies	**179**	407
Utilities	**451**	534
Insurance	**412**	361
Costs incurred in relation to winding up a subsidiary	-	1,385
Other	**8,971**	8,480
	96,174	95,826

22. MURABAHA AND FINANCING EXPENSES

	For the year ended 31 December 2020 SR '000	For the year ended 31 December 2019 SR '000
Finance cost on Murabaha Contracts	**35,463**	35,329
Finance cost and amortisation of upfront fee on Shariah Compliant financing	**5,069**	6,853
	40,532	42,182

23. RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposure relating to his or her responsibilities. These limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept. The Company is exposed to market risk, credit risk and liquidity risk.

MARKET RISK

Market risk is the risk that the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in market prices, rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company's market risk comprises of three types of risks: Profit rate risk, currency risk and equity price risk.

PROFIT RATE RISK

Profit rate risk arises from the effects of fluctuations in the prevailing levels of markets profit rates on the fair value of financial assets and liabilities as well as reported income/losses due to changes in future cash flow. The Company does not hold fixed rate financial assets which are carried at fair values that could expose the Company to fair value profit rate risk. However, the Company is exposed to profit rate cash flow risk arising from the variable rate Shariah compliant borrowings, Murabaha contracts and Murabaha placements that expose the Company to cash flow profit rate risk. The Company's manages its rate risk on a dynamic basis keeping in view overall rate bearing assets and liabilities and the Company requirements.

The Company's Murabaha contracts are of long term nature carrying fixed rate. However, certain Murabaha contracts, though carry fixed rate, were of short term nature and had a history of frequent rollover and could expose the Company to cash flow rate risk. As of the statement of financial position date, a change of 1% in the applicable profit rates would result in SR 4.09 million (2019: SR 5.7 million) lower/higher profit for the year.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company invests in funds and other investments that are denominated in currencies other than the Saudi Riyal which are pegged to the Saudi Riyal accordingly the Company is not exposed to significant foreign exchange risk.

EQUITY PRICE RISK

Equity price risk is the risk of unfavourable changes in the fair values of equity as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company is not exposed in equity price risk as none of the investment are quoted.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The Company is exposed to credit risk on its bank balances, Murabaha placements, accounts receivable and due from related parties.

In calculating the expected credit loss allowance for accounts receivable and due from related parties, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

The Company's maximum undiscounted exposure to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

	31 December 2020		31 December 2019	
Financial assets	Exposure at default SR'000	Expected credit loss SR'000	Exposure at default SR'000	Expected credit loss SR'000
Murabaha placements (note 5)	229,528	-	63,463	-
Due from related parties (note below)	139,698	-	126,383	-
Accounts and other receivables	22,014	1,080	24,903	2,896

	31 December 2020					
	Current SR'000	< 1 Year SR'000	1-2 Years SR'000	2-3 Years SR'000	> 3 Years SR'000	Total SR'000
Murabaha placements (note 5)	229,528					229,528
Due from related parties (note below)	20,745	25,838	35,964	31,431	25,720	139,698
Accounts and other receivables	19,695	-	1,239	-	1,080	22,014

	31 December 2019					
	Current SR'000	< 1 Year SR'000	1-2 Years SR'000	2-3 Years SR'000	> 3 Years SR'000	Total SR'000
Murabaha placements (note 5)	63,463	-	-	-	-	63,463
Due from related parties (note below)	31,237	32,355	33,573	22,027	7,191	126,383
Accounts and other receivables	17,107	4,900	-	-	2,896	24,903

In its capacity as fund manager, the Company has first right to recover the balance due from funds / companies under management in respect of outstanding fees and subsequently Murabaha placements. As at the date of financial statements, underlying funds / Companies have positive net assets value and management estimated that expected credit losses, if any, would not be material.

Investments at fair value through profit or loss are not subject to expected credit loss requirement as these are measured at FVTPL that captures the expected credit loss from underlying financial assets.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities or redeem its shares earlier than expected.

The efficient management of liquidity risk begins with the development of written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting.

The Company's financial liabilities are payable within 12 months from the statement of financial position date except certain long-term murabaha contracts, lease liabilities and non-current portion of sharia compliant financing which have maturity of more than 12 months from the statement of financial position date.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The Company's financial assets consist of cash and cash equivalents, accounts receivable, Murabaha placements, investments at fair value through profit or loss, due from related parties and financial liabilities consist of accounts payable, shariah compliant financing and Murabaha contracts.

The fair values of investments in funds managed by the Company is obtained from net asset values disclosed in the audited financial statements of those funds or recent sales transactions. In real estate funds, the fair value of underlying real estate investments is based on the valuation provided by independent valuers.

As at the date of statement of financial position, all financial assets and financial liabilities falls under level 3 of fair value hierarchy. The fair values of financial instruments are not materially different from their carrying values (31 December 2019: same). During the year, there was no movement between fair value hierarchy levels.

25. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Company holds assets on behalf of its customers. As the Company acts in a fiduciary capacity, these assets are not included in the statement of financial position. As at 31 December 2020, the Company holds assets under management amounting to SR 4,189 million (31 December 2019: SR 3,015 million) on behalf of, and for the beneficial interest of, its customers.

Legal title of the underlying assets of the Company's managed funds and companies are held by the custodian through certain special purpose vehicles, on behalf of the funds and companies. Since, the Company has ownership interest in these special purpose vehicles as trustee, the financial information and related share of results of these entities are not included in these financial statements. In the ordinary course of business, the Company also holds certain banks accounts on behalf of the managed funds.

26. CONTINGENCIES AND CAPITAL COMMITMENTS

a) Certain legal claims have been filed by third parties against the Company in the normal course of business. The Company's management expects a favourable outcome of these claims.

b) The Company has maintained a margin deposit of SR 3.85 million (31 December 2019: SR 3.85 million) with a local bank in respect of a guarantee issued in favour of GAZT.

c) The Board of Directors has authorised future capital expenditure, amounting to SR 3.8 million (31 December 2019: SR 2.9 million) in connection with leasehold improvements and construction under progress.

d) The Company had issued a corporate guarantee on behalf of a related party for an outstanding amount of SR 127.2 million (31 December 2019: SR 142.6 million). The related party simultaneously issued a back-to-back corporate guarantee to the Company. This amount is due for settlement by the respective related party on 21 January 2025.

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended 31 December 2013, Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base, which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

The details of the minimum capital requirement and capital base are as follows:

	31 December 2020 SR '000	31 December 2019 SR '000
Capital base		
Tier-1 capital	909,484	848,882
Tier-2 capital	-	-
Total capital base	909,484	848,882
Minimum capital requirement		
Credit risk	833,708	716,145
Market risk	60	8,576
Operational risk	36,114	35,849
Total minimum capital required	869,882	760,570
Capital Adequacy Ratio		
Total capital ratio (time)	1.05	1.12
Surplus in capital	39,602	88,312

28. INVESTMENT PROPERTY

The Company received property as a result of distribution of the assets by a fund managed by the Company. The property is carried at cost of SR 147,538 thousand. The fair value of the property valued by Valustrat Consulting (2019: Saad Ali AlNajjar Sons Limited) licensed by "Saudi Authority for Accredited Valuers" on 31 December 2020 was SR 149,000 thousand (29 December 2019: SR 148,525 thousand). The property is registered in the name of "Alfuras Almustadama Real Estate Company" which has provided an undertaking that property is held by it on behalf of the Company.

During the year, the management reassessed the business use of the investment property and based on the plan, reclassified the investment property as long term in the statement of financial position. The reclassification has no impact on the equity or cash flows of the Company (see note 30(a)).

29. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue outstanding during the year (note 17).

The diluted EPS is same as the basic EPS as the Company does not have any dilutive instruments in issue.

30. COMPARATIVE FIGURES

Following prior year amounts have been reclassified to conform with the presentation in the current year:

a) investment properties as disclosed in note 28.

b) reclassified its investments at fair value through profit or loss investments as current and non-current in the statement of financial position, based on the expectation of their realisation or the period in which they are intended to be sold, in accordance with the business model of the Company. Comparative amounts have also been reclassified to conform with the current year presentation.

The above reclassifications have not resulted in change of the amounts presented in current or prior years and did not have any impact on the cash flows and equity of the Company.

31. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 15 March 2021 (corresponding to 2 Sha'aban 1442H).

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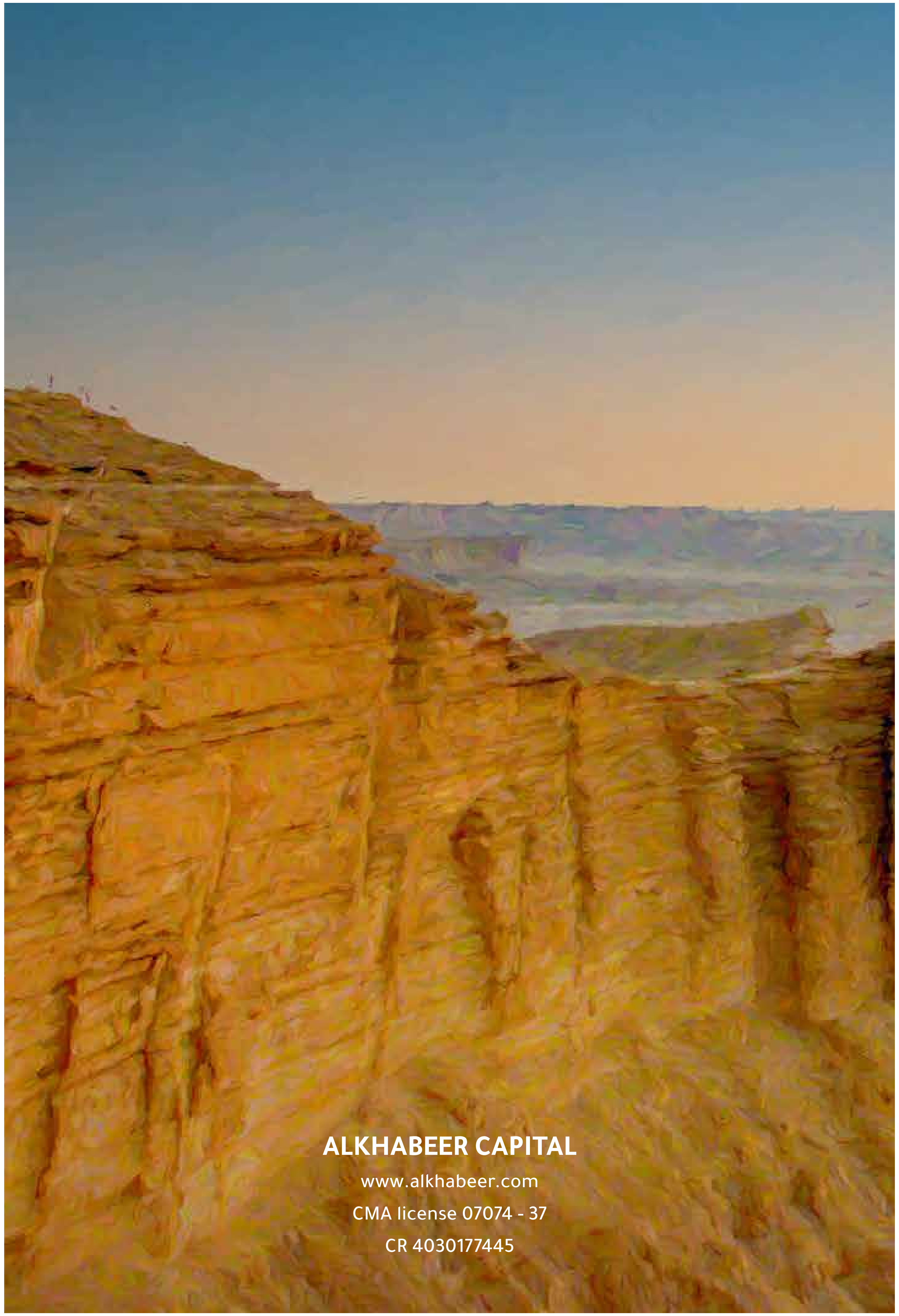

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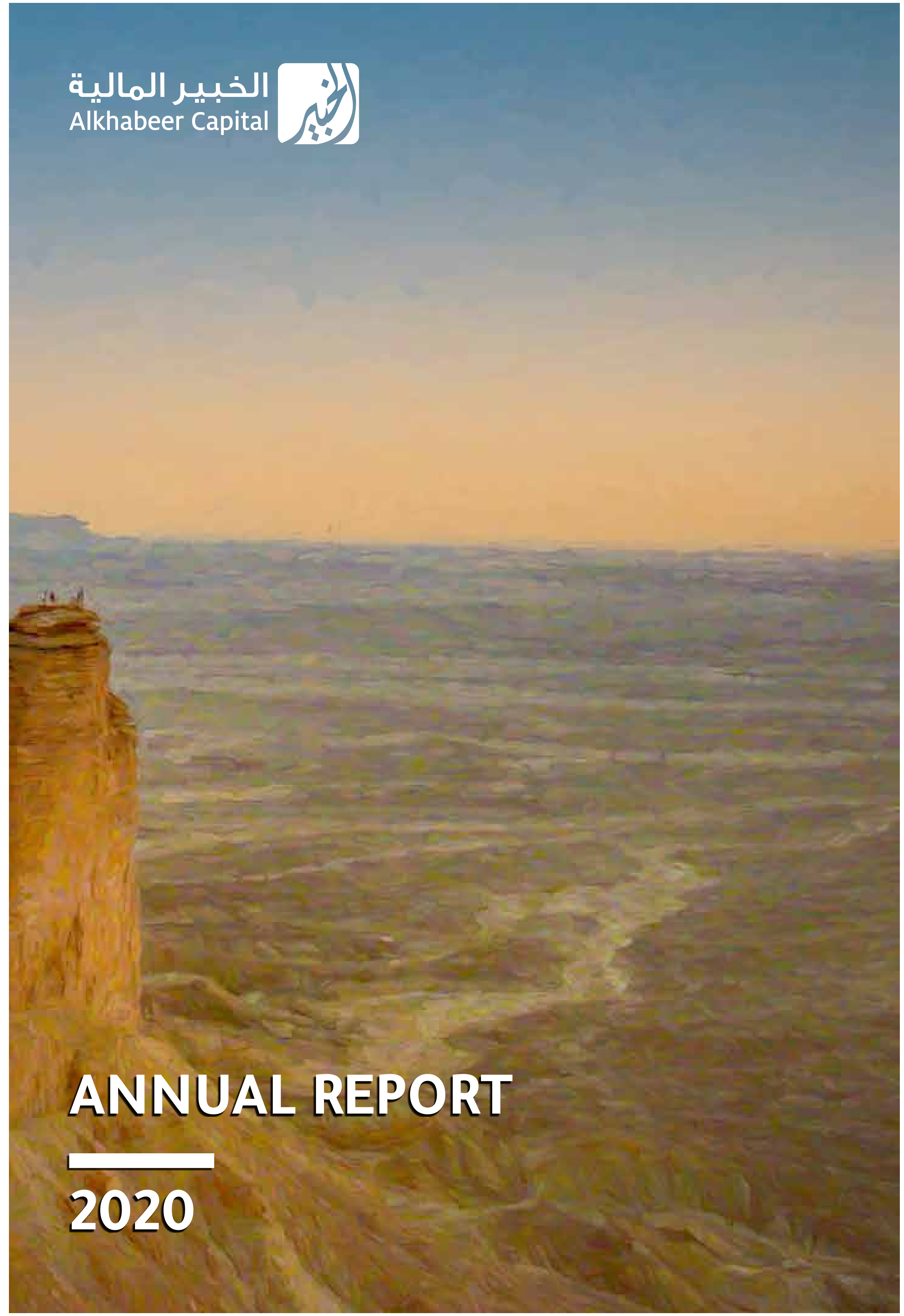

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