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RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

Tharwat For Financial Securities Company
(A Saudi Closed Joint Stock Company)

Financial Statements and Independent Auditors' Report
For the Year Ended in December 31, 2019

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Independent Auditors' Report

To the Shareholders
Tharwat for Financial Securities Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Tharwat for financial securities company (A Saudi closed joint stock company) "the Company", and its subsidiary, together ("the Group"), which comprise of the consolidated statement of financial position as of December 31, 2019 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders` equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are presented fairly, in all material respects, the financial position of the group as of December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and publications that are issued by Saudi Organization For Certified Public Accountants.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor`s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Ethical requirements that are relevant to our audit of the financial statements. 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and publications that are issued by Saudi Organization For Certified Public Accountants and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free of material misstatements, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group`s financial reporting process.

Auditor`s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue 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 to International Standards on Auditing 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 consolidated financial statements.

As a part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk is not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosers made by management.

- Conclude on the appropriateness of the 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 group's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosers in the financial statements or, if such disclosers 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 are conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentations, structure and the 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 responsible in governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other regulatory and regulatory requirements

Further, in accordance with the requirements of the Saudi Companies Regulations, we are note that, based on the information provided to us, nothing has come to our attention that makes us believe that the accompanying financial statements have not been prepared and presented in all material respects in accordance with the requirements of the Saudi Companies Regulations.

RSM Allied Accountants
Dr. Abdelgadir Bannaga and Partners Company

Mohammed Al Nader
License No. 435

Jamada Al-Akhar 19, 1441H (February 13, 2020)
Riyadh, Saudi Arabia

المحاسبون المتحالفون
محاسبون ومراجعون قانونيون
شركة الدكتور عبدالقادر بانقا وشركاه
ترخيص رقم ٣٢٣ / ١١ / ١٦٨
س.ت: ٤٠٣٠٢٢٣٧٧٣
C.R: 4030223773
License No. 323/11/168
Dr. Abdelgadir bannaga & Partners Company
Certified Public Accountants
Allied Accountants

Tharwat For Financial Securities Company
(A Saudi Closed Joint Stock Company)

Consolidated statement of financial position
As of December 31, 2019
Saudi Riyals

Assets	Note	**2019 consolidated**	2018 unconsolidated
Non-current assets			
Property, plant and equipment, net	7	**5,200,053**	416,300
Intangible assets, net	8	**106,333**	129,367
Capital work in progress	9	**610,464**	623,464
Fair value investments through other comprehensive income	10	**46,116,098**	30,752,270
Prepayments for purchase of investments in the companies' equity		**-**	3,832,140
Right of use assets	11	**8,529,571**	-
Total non-current assets		**60,562,519**	35,753,541
Current assets			
Accounts receivable, prepaid expenses and other assets	12	**3,562,250**	11,951,473
Fair value investments through profit or loss		**469,037**	-
Cash on hand and at banks	13	**17,648,959**	24,852,963
Total current assets		**21,680,246**	36,804,436
Total assets		**82,242,765**	72,557,977
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	15	**60,000,000**	60,000,000
Statuary reserve	16	**1,668,843**	1,668,843
Gain from fair value investment revaluation through other comprehensive income	10	**6,853,349**	1,067,292
Retained earnings		**2,009,364**	6,999,416
Total shareholders' equity		**70,531,556**	69,735,551
Liabilities			
Non-current liabilities			
Lease liabilities- non-current portion	11	**7,632,084**	-
Employees' defined benefit plan obligation	17	**603,086**	393,707
Total non-current liabilities		**8,235,170**	393,707
Current liabilities			
Accounts payable, accrued expenses and other liabilities	14	**1,761,111**	1,367,313
Lease liabilities- current portion	11	**1,009,286**	-
Zakat provision	18	**705,642**	1,061,406
Total current liabilities		**3,476,039**	2,428,719
Total Liabilities		**11,711,209**	2,822,426
Total shareholders' equity and liabilities		**82,242,765**	72,557,977

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements.

Tharwat For Financial Securities Company
(A Saudi Closed Joint Stock Company)

Consolidated statement of profit or loss and other comprehensive income
For the year ended December 31, 2019
Saudi Riyals

	Note	**2019 consolidated**	2018 unconsolidated
Revenues from real estate activity	19	**686,183**	-
Management fees		**470,616**	19,068
Subscription fees		**14,881**	-
Custodian fees		**-**	704
Dividends received		**495,471**	-
Change in fair value investments through profit or loss		**43,245**	-
Total operational revenue		**1,710,396**	19,772
Cost of real estate activity		**(159,885)**	-
General and administrative expenses	20	**(7,824,465)**	(7,042,307)
Selling and marketing expenses		**(1,574,166)**	(744,309)
Net loss from main operations		**(7,848,120)**	(7,766,844)
Finance costs		**(208,820)**	-
Other income, net	21	**5,757,231**	9,843,407
Net (loss) profit before zakat		**(2,299,709)**	2,076,563
Zakat	18	**(628,366)**	(980,436)
Net (loss) profit for the year		**(2,928,075)**	1,096,127
Other comprehensive income			
Items may not be reclassified subsequently to profit or loss			
Change in fair value investment through other comprehensive income		**5,786,057**	(3,228,619)
Realized profit from sale of investments through other comprehensive income		-	1,961,770
Losses from remeasurement of employees' defined benefit plan obligation		**(61,977)**	(47,163)
Total comprehensive income for the year		**2,796,005**	(217,885)
Earnings per share			
Earnings per share from main operations		**(1.31)**	(1.29)
Earnings per share from net (loss) income of the year		**(0.49)**	0.18

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements.

Tharwat For Financial Securities Company
(A Saudi Closed Joint Stock Company)

Consolidated statement of changes in shareholders' equity
For the year ended December 31, 2019
Saudi Riyals

	Share capital	**Statuary reserve**	**Revaluation of fair value investments through other comprehensive income**	**Retained Earnings**	**Total**
Balance as of January 1, 2018	60,000,000	1,559,230	4,295,911	4,098,295	69,953,436
Net profit for the year	-	-	-	1,096,127	1,096,127
Statutory reserve	-	109,613	-	(109,613)	-
Other comprehensive income	-	-	(3,228,619)	1,914,607	(1,314,012)
Balance as of December 31, 2018 (unconsolidated)	60,000,000	1,668,843	1,067,292	6,999,416	69,735,551
Net loss for the year	-	-	-	**(2,928,075)**	**(2,928,075)**
Other comprehensive income	-	-	**5,786,057**	**(61,977)**	**5,724,080**
Dividend distribution	-	-	-	**(2,000,000)**	**(2,000,000)**
Balance as of December 31, 2019 (consolidated)	**60,000,000**	**1,668,843**	**6,853,349**	**2,009,364**	**70,531,556**

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements.

Tharwat For Financial Securities Company
(A Saudi Closed Joint Stock Company)

Consolidated statement of cash flows
For the year ended December 31, 2019
Saudi Riyals

	2019 consolidated	2018 unconsolidated
Cash flows from operating activities		
Net (loss) profit for the year before zakat	**(2,299,709)**	2,076,563
Adjustments to reconcile net (loss) profit for the year before zakat to net cash provided (used in) operating activities		
Depreciation of property, plant and equipment	**273,373**	259,965
Right of use asset depreciation	**426,479**	-
Amortization of intangible assets	**37,199**	62,273
Losses from disposal of property, plant and equipment	**3,347**	-
Finance cost	**208,820**	-
Change in fair value investments through profit or loss	**(43,245)**	-
Provision for employees' defined benefit plan obligation	**167,079**	120,185
	(1,226,657)	2,518,986
Changes in operating assets and liabilities:		
Account receivables, prepaid expenses and other assets	**8,389,223**	(11,500,337)
Prepayments for investment purchase in the companies' capital	**-**	(3,832,140)
Prepayments for investment purchase in fair value through profit or loss	**(425,792)**	-
Fair value investments through other comprehensive income	**(5,745,631)**	10,321,770
Accounts payable, accrued expenses and other liabilities	**393,798**	891,772
Employees' defined benefit plan obligation paid	**(19,677)**	(17,995)
Zakat paid	**(984,130)**	(561,189)
Net cash provided by (used in) operating activities	**381,134**	(2,179,133)
Cash flows from investing activities		
Additions to property, machines and equipment	**(5,060,473)**	(281,493)
Additions to intangible assets	**(14,165)**	(142,857)
Additions to capital work in progress	**13,000**	35,263
Real estate investments	**-**	12,989,025
Net cash provided by (used in) operating activities	**(5,061,638)**	12,599,938
Cash flows from financing activities		
Dividend distribution	**(2,000,000)**	-
Lease obligation	**(523,500)**	-
Net cash used in financing activities	**(2,523,500)**	-
Net change in cash on hand and at banks	**(7,204,004)**	10,420,805
Cash on hand and at banks at the beginning of the year	**24,852,963**	14,432,158
Cash on hand and at banks at the end of the year	**17,648,959**	24,852,963
Non- cash transactions		
Right of use assets additions against lease obligations	**8,956,050**	-
Losses from remeasurement of employees' defined benefit plan	**61,977**	47,163
Change in fair value investments through other comprehensive income	**5,786,057**	(3,228,619)
Transferred from prepayments for purchase of fair value investments through other comprehensive income	**3.832,140**	-

The accompanying notes from (1) to (25) form an integral part of these consolidated financial statements.

1. Organization and Activities

A-Tharwat for Financial Securities Company (the "Company") is a Saudi Closed Joint Stock company registered in Riyadh, Kingdom of Saudi Arabia dated 23 Jumada Al-thani1435H (corresponding to April 24, 2014) under Commercial Registration No. 1010411783 in Riyadh in accordance with Capital Market Authority's license No. (2547/6) dated Jumada Al-Awal 5, 1435H (corresponding to March 13, 2014).

B-The principal activities of the Company are to act as principal, manage investments fund, custody in financial securities business in accordance with Capital Market Authority's letter No.(X/1/6/5212/15) dated Jumada Al-Thani 13, 1436H. the company started its activities in accordance with Capital Market Authority's letter No. (1/6/9309/14) dated Dhul Qadah 29, 1435H (corresponding to September 24, 2014). Also, the company started acting as principal in Jumada Al-Thani 30, 1436H (April 19, 2015) in accordance with Capital Market Authority's letter No. (1/6/6276/15).

C-The consolidated financial statements include as of 31 December 2019 the figures of subsidiary Company (Mawan Real Estate) a one-person limited liability company registered in Riyadh established under the commercial register No. 1010520359 on Jumada Al-Akhir 1,1440 H (corresponding to February 6, 2019). The company's ownership is 100 % of the total share of the subsidiary's capital amounting to SAR 100,0000. The comparative figures as of December 31,2018 is unconsolidated since the subsidiary was established during the year 2019.

2. Basis of preparing consolidated financial statements

Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards endorsed in Saudi Arabia and other standards and publications issued by the Saudi Organization for Certified Public Accountants except for employees' defined benefit plan obligation which is estimated by actuarial expert.

Basis of measurement

The accompanying consolidated financial statements are prepared under the historical cost convention and on accrual basis and the going concern concept.

Functional and presentation currency

The consolidated financial statements are in Saudi Riyals which includes the functional currency and are rounded to the nearest Saudi Riyal.

Accounting records

The group maintains regular accounting records by computer and in Arabic.

Use of judgements, assumptions and estimates

The preparation of financial statements of the group management in conformity with accounting standards requires the use of estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors including consultation and future forecasts that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in current and future periods affected.

The most significant elements that are subject to estimation and assumptions that affect the accounting policies applied and may therefore affect the amounts included in the financial statements as follows:

Useful lives, residual value of the property, plant and equipment and intangible assets

The Group's management estimates the estimated useful lives and residual values of property, plant and equipment and intangible assets. This estimate is determined after taking into account the expected use of the asset or damage and natural obsolescence.

The management reviews the useful life, residual value or method of depreciation of the property, plant and equipment and the amortization of intangible assets annually. Future depreciation is adjusted when the management believes that the useful life, residual value or depreciation and amortization method is different from that used in prior periods.

Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in Statement of profit or loss.

Employees' Benefits

The cost of employees' end of service plans and the present value of end of service benefits are determined using actuarial valuations, actuarial valuations include assumptions that may differ from actual future developments. Including the determination of the discount rate and the future increase in salaries, deaths and future increases in salaries. As a result of the complexity of the evaluation process, the main assumptions and their long-term nature, the obligation of the specified benefits on the sensitivity changes in these assumptions. All assumptions are reviewed at the reporting date.

2. Basis of preparing consolidated financial statements (continued)

Impairment in trade receivables and others

The collectible amount of trade and other receivables is estimated when collection of the amount in whole or in part is not probable. This estimate is made for each significant amount on an individual basis. As for the amounts, none of which are considered material but overdue, they are assessed collectively and a provision adopted according to the length of the delay, based on historical recoverable rates.

Zakat

In the calculation of zakat for the current year, the group adjusted its net profit and adopted a special discount for its zakat base to calculate zakat expense. The group made the best assumptions for these assumptions (note 18).

3. Standards issued but not yet effective

The following are the new standards and amendments which are effective for annual periods beginning on or after January 1,2020 and earlier application is permitted; however, the group has not early adopted them adopt in preparing these consolidated financial statements.

3.1 Amendments on IFRS (3)- Definition of business

This amendment revises the definition of the business. According to the feedback received by the IASB, application of current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combination.

3.2 Amendments to IAS (1) and (8) - Definition of material

There are amendments on IFRS (1) "Presentation of financial statements" and IFRS (8) "Accounting policies, change in accounting estimates and errors" and consequential amendments to other IFRSs.

1) Use of consistent definition of materiality throughout IFRSs and the conceptual Framework for Financial Reporting

2) Clarify the explanation of the definition of material

3) Incorporate some guidance in IAS 1 about immaterial information.

3.3 Amendments to IFRS 9, IAS 39 and IFRS 7- Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss.

4. Changes in significant accounting policies

Except what is stated above, accounting policies adopted on these consolidated financial statements is same as prior year for the year ended December 31,2018.

As of January 1, 2019, the group has implemented the International Financial Reporting Standards (16) leases as the group has the choice to implement this standard according to transitional laws specified in the standard.

IFRS 16 defines how the author of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) recognizes, measures, presents and discloses lease contracts. The Standard provides a single accounting model for which requires tenants to recognize the assets and liabilities of all leases unless the lease is 12 months or less or if the asset is of low value.
While lessor continue to classify leases as operating or financing leases, as the approach of IAS 16 on Lessor Accounting has not changed substantially from IAS 17.

The assets and liabilities arising from the lease are initially measured based on the present value.

The right to use the asset is measured at a cost that includes the following:
1- The initial measurement amount for the lease commitment.
2- Any rent payments made on or before the date of commencement of the contract minus any rental incentives received.
3- Any initial direct costs incurred by the lessee.
- The commitment of the lease is measured at the date of commencement of the lease with the present value of the unpaid lease payments on that date. The lease payments are deducted using the interest rate implicit in the lease.
The finance cost is charged to the consolidated statement of profit or loss over the lease period so that a periodic commission rate is achieved on the remaining balance of the obligation for each period. While the right to use the asset is depreciated over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

5. Basis of consolidation

The consolidated financial statements consist of consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cashflows and notes to the consolidated financial statements. This includes the group's assets, liabilities and result of its operations and its affiliates as stated in note (1). The subsidiary is the company controlled by Tharwat for financial Securities. Tharwat for financial Securities Company controls the subsidiary when it has the right to various revenues as a result of its participation and its ability to influence these revenues through its control of the subsidiary. The subsidiary is consolidated as of the date that Tharwat for financial Securities Company controls the subsidiary and until it ceases to exercise that control. Tharwat Securities uses the cost method to account for the grouping of operations when control is transferred to them. The cost of acquisition is measured at the fair value of the assets acquired.
All transactions were eliminated, as well as unrealized balances, profits and losses resulting from transactions between the two companies are eliminated. The accounting policies of the subsidiary are modified when necessary to ensure consistency with the policies followed by Tharwat Securities. Tharwat Securities and its subsidiary prepare their financial statements for the same reporting periods.

6. Summary of significant accounting policies

Impairment in value

1- Financial assets

At each balance sheet date, the values of the financial asset are reviewed to determine whether there is any indication of impairment. For financial assets such as receivables and assets that are individually assessed as impaired, they are assessed for impairment on a collective basis. The objective evidence of impairment is the value of the receivable's portfolio, may include prior experience with the Group in respect of collection of payments, an increase in the number of overdue payments that exceed the average borrowing period and may include observed changes in local and global economic conditions associated with the default of receivables. The carrying amount of a financial asset is reduced by the amount of the impairment loss directly for all financial assets except trade receivables, where the carrying amount is reduced through the creation of an allowance account. When a receivable is considered uncollectible, the amount of the charge and the corresponding amount are written off in the allowance account.

Changes in the carrying amount are recognized in the statement of profit or loss.

2- Non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units to which the asset belongs, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the fair value of the asset less cost of sale or the value of usage, which is higher.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Derecognition

A financial asset is primarily derecognized when the contractual rights to receive cash flows from the asset and transfer of all significant risks and ownership to a third party. If the Group does not transfer or retain substantially the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained share in the transferred asset and its related liabilities within the amounts expected to be paid. If the Group retains substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the financial asset.

6. Summary of significant accounting policies (continued)

Property, machines and equipment

Property and equipment are carried at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease which ends first.

During the year, the group re-estimated the depreciation rates for some assets, the depreciation rates of the principal classes for property, machines and equipment are as follows

	Depreciation rate before re-estimation	Depreciation rate after re-estimation
Leasehold Improvements	20%	10-20%
Furniture and fixtures	25%	10-25%
Office equipment	25%	25%
Computers	25%	25%
Vehicles	25%	25%

Revisions to useful life and depreciation method are performed periodically to ensure that the method and depreciation period is relevant to economic benefits expected from property, machines and equipment.

Intangible assets

Computer software: Computer software purchased is stated at cost less accumulated amortization and any accumulated impairment losses and is amortized over their estimated useful lives of four years using the straight-line method. If there is an indication of a significant change in the useful life or the residual value of this intangible asset, future amortization is adjusted to reflect new projections.

Financial instruments

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.
Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement profit or loss consolidated.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

6. Summary of significant accounting policies (continued)

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as at FVTPL when the financial asset held for trading, or it is designated at FVTPL by the Group.

A financial asset is classified as held for trading if:

- it has been acquired principally for selling it in the near term.
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading as financial assets designated at fair value upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Dividends or interest earned on the financial asset are included in the 'other income / charges' line item in the statement of profit or loss.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discount is not material.

B) Financial assets at fair value through other comprehensive income

The Listed shares which owned by the group and traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Group also has investments in not listed shares that are not traded in active markets but are also classified as available-for-sale financial assets and are carried at fair value, in the belief that the fair value can be reliably measured. Gains and losses arising from changes in fair value are included in other comprehensive income and are added to the revaluation reserve under equity except for impairment losses that are recognized in profit or loss. If the investment is disposed of or is impaired, the cumulative gain or loss previously recognized in the revaluation reserve is included in other comprehensive income.

Any income from dividends related to the investments available of sale are recorded when the group have the rights to receive those dividends.

6. Summary of significant accounting policies (continued)

Second: Financial liabilities

Financial liabilities are initially and subsequently measured at amortized cost using the effective interest method.
The Group derecognizes financial liabilities when the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability disposed and the amount paid is recognized in the statement of profit or loss.

Cash on hand and at banks

Cash on hand and at banks include banks current accounts which can be liquidated in three months or less from acquisition date.

Accounts receivable

Accounts receivable balance appear in the original invoices amount after deduction of expected credit losses against any amount inapplicable to being collected. An estimate for the doubtful receivable is made when the group cannot collect the balances and doubtful receivables are written-off when incurred. The provisions appear in the consolidated statement of profit or loss. Any subsequent recovery in the accounts receivable previously written-off is added to the revenue.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for services, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Provisions measures the best alternative needed as of the consolidated statement of financial position date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount is confirmed and the amount can be measured reliably.

6. Summary of significant accounting policies (continued)

Employee benefits

- **Employees' defined benefit plan obligation**
The end of service benefits provision, which is a defined benefit plan, is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period.
Remeasurements comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to the consolidated statement of profit or loss.

- **Retirement benefits**
The Group pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- **Short-term employee benefits**
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
Liabilities recognized in respect of short-term employee benefits related to the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Real estate investments
Real estate that are held for capital appreciation and rents. Real estate investments are measured at initial recognition and are subsequently measured at fair value less accumulated depreciation and any accumulated impairment losses. Depreciation is amortized less the estimated residual value using the straight-line method over the estimated useful lives of the asset. Any gain or loss on disposal of real estate investment (calculated as the difference from the net proceeds, the disposal and the carrying amount of the property) is recognized in the consolidated statement profit or loss as other income or expense.

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

Revenue recognition
Revenue is recognized upon delivery of services to customers and is stated net of discounts.
Fees charged for managing assets are recognized as revenue as the services are provided. Management investment funds revenue and custody funds revenues according to time basis. Subscription fees are recognized upon subscription of the investor to the Fund.
Fund performance income is recognized at the year end, if the fund results meet the annual preset target.
Advisory service fees are accrued on a time proportionate basis, as the services are rendered. Dividends from investments are recognized when earned or publicly declared by the investee. Commission income is recognized on an accrual basis.

6. Summary of significant accounting policies (continued)

Expenses
All direct expenses related to the revenue of the activity consist of salaries, wages and costs of indirect goods charged to the cost of sales. The rest of the expenses are classified as selling and marketing expenses and general and administrative expenses. Allocations between expenses are made on a consistent basis.

Zakat
- Zakat provision is recognized at the end of each financial year in accordance with the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia ("the Authority").
- Zakat is charged at the end of each financial year in the statement of profit or loss. Zakat liabilities, (if any), related to zakat assessments over previous years are recognized by the Authority in the period in which the final assessments are shown.

Capital work in progress
Capital work in progress are stated at cost and are not depreciated. Depreciation of capital work in progress begins when the assets are ready for use and are then transferred to property, machines, and equipment or real estate investments. Financing costs on loans are capitalized to finance the creation of qualifying assets during the certain period to complete and set up the asset for intended use.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that are assets that require a material period of time to be ready for their intended use or sale are added to the cost of those assets until they are substantially ready for use or sale. Disposal income earned on the temporary investment of specific loans is deducted until it is spent on eligible assets from qualifying borrowing costs.
All borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

Offsetting
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 recognized amounts and there is an intention to settle on a net basis. to realize the assets and settle the liabilities simultaneously.

Foreign currency translation
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at the end of the year. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss and other comprehensive income

7. Property, plant and equipment, net

This item consists of the following:

	Leasehold Improvements	Furniture and Fixtures	Office equipment	Computers	Vehicles	Total
Cost						
Balance as of January 1, 2019	743,951	491,531	205,234	161,450	94,400	1,696,566
Additions	**3,387,986**	**1,290,836**	**335,757**	**45,894**	-	**5,060,473**
Disposals	**(633,621)**	**(76,086)**	**(679)**	**(1,400)**	-	**(711,786)**
Balance as of December 31, 2019	**3,498,316**	**1,706,281**	**540,312**	**205,944**	**94,400**	**6,045,253**
Accumulated depreciation						
Balance as of January 1, 2019	540,458	459,921	111,294	111,168	57,425	1,280,266
Charged for the year	**167,754**	**30,894**	**43,488**	**18,762**	**12,475**	**273,373**
Disposals	**(630,811)**	**(75,549)**	**(679)**	**(1,400)**	-	**(708,439)**
Balance as of December 31, 2019	**77,401**	**415,266**	**154,103**	**128,530**	**69,900**	**845,200**
Net book value						
Balance as of December 31, 2019 (consolidated)	**3,420,915**	**1,291,015**	**386,209**	**77,414**	**24,500**	**5,200,053**
Balance as of December 31, 2018 (unconsolidated)	203,493	31,610	93,940	50,282	36,975	416,300

B-Depreciation of property, machines and equipment is allocated as follows:

	2019 consolidated	2018 unconsolidated
General and administrative expenses (note 20)	**225,670**	251,002
Selling and marketing	**47,703**	8,963
	273,373	259,965

8. Intangible assets, net

A-This item consists of the following:

	2019 consolidated	2018 unconsolidated
Cost		
Balance as of January, 1	**466,437**	323,580
Additions	**14,165**	142,857
Balance as December, 31	**480,602**	466,437
Accumulated amortization		
Balance as of January, 1	**337,070**	274,797
Charged for the year	**37,199**	62,273
Balance as December, 31	**374,269**	337,070
Net book value		
Balance as December, 31	**106,333**	129,367

B- Intangible assets amortization is allocated as the following:

	2019 consolidated	2018 unconsolidated
Selling and marketing expenses	**35,712**	14,187
General and administrative expenses	**1,487**	48,086
	37,199	62,273

9. Capital work in progress

Capital work in progress represent amounts spend on leased lands in Riyadh-Al-Moatamarat District to use the land for investment project. During 2019, the work on the project has been stopped due to the delay in issuing the required licenses to complete the project the group's management expect obtain the required licenses during the year 2020 and to continue the work progress.

10. Fair value investments through other comprehensive income

The cost and fair value of available for sale investments as at December 31, 2019 are as follows:

	Cost at Beginning of the year	Purchases during the year	Sales during the year	Change in fair value	Fair value
As of December 31, 2019					
Closed ended investment funds-b	**27,500,000**	**2,000,000**	-	**7,178,389**	**36,678,389**
Open ended investment funds	**2,184,978**	-	-	**(325,040)**	**1,859,938**
Shares in companies' capital-c	-	**7,577,771**	-	-	**7,577,771**
	29,684,978	**9,577,771**	-	**6,853,349**	**46,116,098**
As of December 31, 2018					
Closed ended investment funds-b	35,860,000	-	(8,360,000)	1,320,000	28,820,000
Open ended investment funds	2,184,978	-	-	(252,708)	1,932,270
	38,044,978	-	(8,360,000)	1,067,292	30,752,270

B-The group invested in closed ended fund (Tharwat Al-Riyadh Industrial Fund) managed by the group and the group owns 2,750,000 units (2018: 2,750,000 unit) with a par value SAR 10 for each unit.
The additions on the investments on closed investment funds represents purchase of units in (Tharwat of Nakhala) fund managed by the group and the group owns 200,000 unit with a par value SAR 10 for each unit.

C- The item represents the value of investments in the companies' securities outside of the Kingdom of Saudi Arabia amounted to SAR 3,832,140 against a non-controlling interest of 1% of the capital of the group invested in through the General Coordinator of Investment, Gulf Islamic Investment Group and the amount of SAR 3,745,631 against a non-controlling interest of the shares of a foreign company with a percentage of 1.375% of the capital of the company invested in, through the General Coordinator of Investment Saudi Invest Corp for financial investments.

11. Right of use assets and lease liabilities

The following schedule states right of use assets balance and lease liabilities in addition to depreciation charged during the year ended December 31,2019:

	Right of use Assets	Lease liabilities
Balance as of January 1, 2019	-	-
Additions during the year	**8,956,050**	**8,956,050**
Right of use assets depreciation	**(426,479)**	-
Discount	-	**(314,680)**
Balance as of December 31, 2019	**8,529,571**	**8,641,370**
Non-current portion	**8,529,571**	**7,632,084**
Current portion	-	**1,009,286**

The financing costs on lease obligation contracts recognized during the year ended December 31,2019 amounting SAR 208,820.

12. Accounts receivable, prepaid expenses and other assets

	2019 consolidated	2018 unconsolidated
Accounts receivable	**2,909,628**	10,659,456
Prepaid expenses	**464,628**	578,892
Value added tax "Tharwat Financial Securities"	**180,644**	-
Refundable deposits	**3,850**	50.625
Prepaid rent	-	592,548
Accrued revenue	-	69.952
Other	**3,500**	-
	3,562,250	11.951.473

13. Cash on hand and at banks

	2019 consolidated	2018 unconsolidated
Cash on hand	**2,226**	11,184
Cash at banks	**17,646,733**	24,841,779
	17,648,959	24,852,963

14. Accounts payable, accrued expenses and other liabilities

	2019 consolidated	2018 unconsolidated
Accounts payable	**1,106,345**	-
Employees accruals	**320,033**	149,274
Accrued fees	**96,650**	187,247
Value added tax "Mawan Real Estate Investment Company"	**22,630**	840.316
Other	**215,453**	190,476
	1,761,111	1.367.313

15. Capital

The Group's share capital is set at SAR 60,000,000 divided into 6,000,000 shares of an equal value, each with a par value of SAR 10 each, all of which are ordinary shares as follows:

Shareholders	No. of shares share	Share value SAR	Paid share value SAR	Ownership %
Hamad Mohammad Mousa Al-Mousa	2,820,000	28,200,000	28,200,000	%47
Khalid Ibrahim Abdul Rehman Al-Salman	1,800,000	18,000,000	18,000,000	%30
Mohammad Ibrahim Abdul Rehman Al-Salman	600,000	6,000,000	6,000,000	%10
Salman Ibrahim Abdul Rehman Al-Salman	600,000	6,000,000	6,000,000	%10
Mohammad Hamad Mohammad Al-Mousa	180,000	1,800,000	1,800,000	%3
Total	6,000,000	60,000,000	60,000,000	%100

16. Statutory reserve

- In accordance with Companies Regulation and the Article of Association, the Group must set aside 10% of its net profit each year to statutory reserve. The shareholders may resolve to discontinue such transfers when the reserve reaches 30% of the capital. The reserve is not available for distribution.

- The group did not obtain such reserve during the year due to losses.

17. Employees 'defined benefit plan obligation

The movement of measurement of employees' defined benefits for the years ended December 31:

	2019 consolidated	2018 unconsolidated
Balance of obligations at the beginning of the year	**393,707**	244.354
<u>**Stated in statement of profit or loss and other comprehensive income**</u>		
Current service cost	**148,173**	120,185
Interest cost	**18,906**	-
Losses from remeasurement of employees' defined benefit plan	**61,977**	47,163
Employees' defined benefit plan paid	**(19,677)**	(17,995)
Balance of obligations at the end of the year	**603,086**	393,707

18.Zakat

The movement of zakat provision as of December 31 is as follows:

	2019 consolidated	2018 unconsolidated
Balance, at the beginning of the year	**1,061,406**	642,159
Provided during the year	**628,366**	980,436
Paid during the year	**(984,130)**	(561,189)
Balance, at the end of the year	**705,642**	1,061,406

B- Zakat status

The group submitted Zakat declaration and the financial statements for all from establishment date until 2018 and paid all the dues and received the required certificates and formal receipts.

During 2017, the Authority issued additional assessments of SR1,919.631 for the fiscal years 2014 and 2015, and during 2018, the Authority issued additional assessments of SR1,181,688 for the fiscal year 2016, due to that the group has invested in investment funds that are not deductible for zakat purposes. The group submitted objections on these assessments to the Authority. The management is confident that the objection rule will be in its favor and no significant responsibility will rise on the final decision of the objection, regarding that no provision was made for the additional assessments in the consolidated financial statements.

19. Revenue from real estate activity

	2019 consolidated	2018 unconsolidated
Commissions	**438,480**	-
Development fees	**247,703**	-
	686,183	-

20. General and administrative expenses

	2019 consolidated	2018 unconsolidated
Employees' salaries and benefits	**5,276,768**	3,652,699
Professional fees	**952,526**	1,374,203
Right use of assets (note 11)	**426,479**	-
Rents	**347,485**	1,237,827
Depreciation of property, machines and equipment (note 7)	**225,670**	251,002
Government fees	**196,099**	168,148
Insurance	**100,500**	100,500
Amortization of intangible assets (note 8)	**1,487**	48,086
Maintenance and other office expenses	**297,451**	209,842
	7,824,465	7,042,307

21. Other income, net

	2019 consolidated	2018 unconsolidated
Commission revenues*	**5,837,299**	9,834,407
Losses from sale of property, machines and equipment	**(3,347)**	-
Other expenses	**(76,721)**	-
	5,757,231	9,834,407

*This item represents the net amount received and paid out of commissions on sale of land belonging to funds to be raised by the group.

22. Capital Regulatory Requirement and Capital Adequacy

The Group's objectives when managing capital are, to comply with the minimum capital requirements set by CMA; to safeguard the Group's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

The Group monitors the capital adequacy and related ratios using the framework established by CMA decision No. 1-40-2012 dated Safar 17, 1434H (corresponding to December 30, 2012). The rules provide that the authorized person must have a capital base on an ongoing basis that is compatible with at least the total capital requirements as set out in Part III of the prudential rules.

	2019 (Thousands) SAR	2018 (Thousands) SAR
Capital base		
Tier-1 Capital	**63,572**	68,539
Tier-2 Capital	**6,853**	1,067
Total Capital base	**70,425**	69,606
Minimum Capital		
Credit risk	**42,869**	29,139
Market risk	**84**	-
Operational risk	**2,599**	2,192
Total minimum capital requirements	**45,552**	31,331
Adequacy capital ratio (Time)		
Total Capital ratio (Time)	**1,55**	2,22
Surplus capital	**24,873**	38,275

23. Financial instruments and risk management and fair value

Financial instruments carried on the consolidated statement of financial position include principally cash on hand and at banks, accounts receivable, available for sale investments, prepaid expenses and other assets and accrued expenses and other liabilities.

Credit risk

It is the inability of a party to fulfill his obligations which causes the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash at banks are placed with local banks with sound credit ratings. Trade receivables and other accounts are due mainly from customers in the local market and stated at net realizable value.

Market risk

Market risk is the risk that the impact of fluctuations in market prices, such as interest rates and stock prices on the group's income or the value of its assets of financial instruments, the purpose of market risk management is to manage the exposure to market risks, reduce and keep it within acceptable limits at the same time maximizing the return of risk.

Foreign exchange risk

Foreign exchange rate risk comprises various risks related to the effect of changes in currency exchange rates on the Group's financial position and its cash flows. The Group monitors currency fluctuations and believes that the impact of currency risk is not material.

Liquidity risk

Liquidity risk is the inability of the Group to fulfill its obligations, specially loans obligations, the group has sufficient funds to meet these obligations when due.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Group's investments are susceptible to market price risk arising from uncertainties about future prices. The Group manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

Fair value

Fair value represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties on arm's length basis. The Group's financial instruments are presented at historical cost basis, differences may arise between the book value and fair value estimates. Group's management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

24. Subsequent events

Till the date of the consolidated financial statements no significant subsequent events after the date of the consolidated financial statements and prior the issuance of these consolidated financial statements requires modification or disclosure.

25. Financial statements approval

The consolidated financial statements were approved by board of directors at Jamada Al-Akhar 19, 1441H (February 13, 2020),