ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of AlJazira Capital Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of AlJazira Capital Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, consolidated statement of 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated 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 Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated 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 Board of Directors 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 the 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.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of AlJazira Capital Company
(A Saudi Closed Joint Stock Company) (continued)

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 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 consolidated financial statements.

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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of AlJazira Capital Company
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Board of Directors 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 Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 3 Sha'ban 1443H
(6 March 2022)

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Saudi Arabian Riyals in thousands)

	Notes	***2021***	*2020*
ASSETS			
Current assets			
Cash and cash equivalents	*5*	**8,071**	24,505
Investments	*6*	**260,173**	444,341
Due from related party		**4,004**	27,677
Margin finance receivables	*7*	**1,945,957**	1,173,523
Prepayments and other current assets	*8*	**257,875**	55,848
Total current assets		**2,476,080**	1,725,894
Non-current assets			
Investments	*6*	**47,600**	44,275
Property and equipment, net	*9*	**21,588**	21,396
Intangible assets, net	*10*	**3,868**	4,895
Right-of-use assets, net	*11*	**20,731**	25,620
Deferred tax asset, net		**318**	298
Total non-current assets		**94,105**	96,484
TOTAL ASSETS		**2,570,185**	1,822,378
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Short-term borrowings	*12*	**1,331,544**	698,548
Due to related parties		**7,400**	1,429
Accrued expenses and other current liabilities	*13*	**56,249**	41,458
Accrued zakat and income tax	*14*	**44,733**	34,828
Lease liability relating to right-of-use assets	*11*	**3,103**	4,748
Subsidiaries' equity obligations	*3(c)*	**--**	19,940
Total current liabilities		**1,443,029**	800,951
Non-current liabilities			
Employees' end of service benefits	*15*	**37,183**	43,894
Lease liability relating to right-of-use assets	*11*	**16,007**	19,256
Total non-current liabilities		**53,190**	63,150
TOTAL LIABILITIES		**1,496,219**	864,101
Shareholder's equity			
Share capital	*16*	**500,000**	500,000
Statutory reserve		**120,626**	108,798
Retained earnings		**426,401**	319,954
Fair value reserve	*6*	**23,481**	26,775
Other reserve		**3,458**	2,750
Total Shareholder's equity		**1,073,966**	958,277
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,570,185**	1,822,378
Commitments	*17*		

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2021
(Saudi Arabian Riyals in thousands)

	Notes	***2021***	*2020*
REVENUES			
Brokerage fees, net	*18*	**183,035**	163,060
Asset management fees, net	*19*	**38,716**	38,103
Margin finance income		**55,517**	49,292
Investment banking services fees		**24,479**	22,702
Custody services fees		**6,546**	5,222
Wealth management fees		**5,570**	4,680
Trading income, net	*20*	**5,632**	10,433
Special commission income		**769**	938
Dividend income		**804**	80
Loss on disposal of real estate properties		**--**	(993)
Other operating income		**3,372**	376
Total revenues		**324,440**	293,893
EXPENSES			
Salaries and employee related expenses		**113,195**	86,483
Rent and premises related expenses	*21*	**1,924**	1,503
Depreciation on property and equipment	*9*	**4,632**	5,541
Depreciation on right-of-use assets	*11*	**4,271**	4,876
Amortisation on intangible assets	*10*	**2,692**	3,033
General and administrative expenses	*22*	**52,099**	41,329
Special commission expense		**10,902**	7,233
Total operating expenses		**189,715**	149,998
Operating income for the year		**134,725**	143,895
(Other expense) / other income		**(434)**	6
Net income for the year before zakat and income tax		**134,291**	143,901
Zakat and income tax	*14*	**(16,463)**	(6,630)
Net income for the year after zakat and income tax		**117,828**	137,271
Decrease in subsidiaries’ equity obligations	*3(c)*	**447**	515
Net income for the year		**118,275**	137,786
Basic and diluted earnings per share (expressed in SAR per share)	*23*	**2.37**	2.76

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Saudi Arabian Riyals in thousands)

	Notes	***2021***	*2020*
Net income for the year		**118,275**	137,786
Other comprehensive income			
Items that will not be reclassified to consolidated statement of income			
Net (loss) / gain on investment in equity instruments designated at fair value through other comprehensive income	*6*	**(3,294)**	13,230
Re-measurements of provision for employees' end of service benefits	*15*	**708**	422
Other comprehensive (loss) / income for the year		**(2,586)**	13,652
Total comprehensive income for the year		**115,689**	151,438

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the year ended 31 December 2021
(Saudi Arabian Riyals in thousands)

	Equity attributable to Company's shareholder					
	Share capital	**Statutory reserve**	**Retained earnings**	**Fair value reserve**	**Other reserve**	**Total**
Balance at 1 January 2020	**500,000**	**95,019**	**195,947**	**13,545**	**2,328**	**806,839**
Net income for the year	--	--	137,786	--	--	**137,786**
Other comprehensive income	--	--	--	13,230	422	**13,652**
Total comprehensive income	**--**	**--**	**137,786**	**13,230**	**422**	**151,438**
Transfer to statutory reserve	--	13,779	(13,779)	--	--	--
Balance at 31 December 2020	**500,000**	**108,798**	**319,954**	**26,775**	**2,750**	**958,277**
Balance at 1 January 2021	**500,000**	**108,798**	**319,954**	**26,775**	**2,750**	**958,277**
Net income for the year	--	--	118,275	--	--	**118,275**
Other comprehensive income	--	--	--	(3,294)	708	**(2,586)**
Total comprehensive income	**--**	**--**	**118,275**	**(3,294)**	**708**	**115,689**
Transfer to statutory reserve	--	11,828	(11,828)	--	--	--
Balance at 31 December 2021	**500,000**	**120,626**	**426,401**	**23,481**	**3,458**	**1,073,966**

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

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

	Notes	***2021***	*2020*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after zakat and income tax		**118,275**	137,786
Adjustments to reconcile net income for the year to net cash used in operating activities:			
Depreciation on property and equipment	*9*	**4,632**	5,541
Depreciation on right-of-use assets	*11*	**4,271**	4,876
Amortisation on intangible assets	*10*	**2,692**	3,033
Unrealised gain on investments	*20*	**(2,872)**	(8,998)
Loss / (gain) on disposal of property and equipment		**180**	(6)
Provision for employees' end of service benefits	*15*	**6,807**	4,346
Special commission expense related to lease liabilities	*11*	**776**	1,212
Zakat and income tax charge		**16,463**	6,630
		151,224	154,420
Changes in operating assets and liabilities:			
Investments		**180,421**	(156,412)
Margin finance receivables		**(772,434)**	126,775
Due from related party		**23,673**	(27,471)
Investment in real estate properties		**--**	13,050
Prepayments and other current assets		**(202,027)**	(7,072)
Due to related parties		**5,971**	(165,714)
Accrued expenses and other current liabilities		**14,791**	22,661
		(598,381)	(39,763)
Employees' end of service benefits paid	*15*	**(12,810)**	(2,739)
Zakat and income tax paid	*14*	**(6,578)**	(3,524)
Net cash used in operating activities		**(617,769)**	(46,026)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment	*9*	**(5,004)**	(1,107)
Purchase of intangible assets	*10*	**(1,665)**	(1,536)
Proceeds from disposal of property and equipment		**--**	6
Net cash used in investing activities		**(6,669)**	(2,637)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings, net		**632,996**	47,177
Payment of lease liabilities	11	**(5,052)**	(5,783)
Subsidiaries equity obligations		**(19,940)**	11,222
Net cash generated from financing activities		**608,004**	52,616
Net (decrease) / increase in cash and cash equivalents		**(16,434)**	3,953
Cash and cash equivalents at beginning of the year		**24,505**	20,552
Cash and cash equivalents at end of the year	*5*	**8,071**	24,505
Non – cash items			
Net change in fair value of investments measured at fair value through other comprehensive income	*6*	**(3,294)**	13,230
Additions to right-of-use assets	*11*	**572**	1,332

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

1. ORGANISATION AND ITS ACTIVITIES

AlJazira Capital Company (the "Company") is a Saudi Closed Joint Stock Company incorporated under Ministerial Resolution No. S/57 dated 20 Safar 1429H (corresponding to 27 February 2008) and was operating under commercial registration number 4030177603 dated 17 Rabi Awal 1429H (corresponding to 25 March 2008). During the year 2011, the commercial registration number of the Company was changed due to the relocation of the Head Office from Jeddah to Riyadh and it is now registered under commercial registration number 1010351313 dated 13 Dhul-Qadah 1433H (corresponding to 29 September 2012). The company has a Branch in Jeddah registered under commercial registration number 4030177603.

The Company is licensed as a financial services company regulated by the Capital Market Authority (the "CMA"). The Company is engaged in dealing, arranging, managing, advising and carrying out custody activities in accordance with the CMA Resolution no. 2-38-2007 dated 8 Rajab 1428H, (corresponding to 22 July 2007) and license number 07076-37.

The Company commenced operations on 5 April 2008, by taking over the brokerage division of Bank AlJazira (the "Bank").

The registered address of the Company is:

AlJazira Capital
King Fahad Road
Al Rahmaniyah District
P.O. Box 20438
Riyadh 11455
Kingdom of Saudi Arabia

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). During the year the Company lost control of AlJazira Sukuk Fund, and AlJazira Residential Projects Fund was liquidated. Accordingly, the statement of financial position as at 31 December 2021 only represents the position of AlJazira Capital Company and the statement of income includes the results of AlJazira Capital Company and subsidiaries up to the date of loss of control in AlJazira Sukuk Fund and liquidation of AlJazira Residential Projects Fund. The Company's subsidiaries were as follows:

AlJazira Sukuk Fund

AlJazira Sukuk Fund (the "Fund") is an open-ended fund, managed by AlJazira Capital Company. The Fund commenced its operations dated 4 Muharram 1442H (corresponding to 23 August 2020). The principal activity of the Fund is to invest in Sukuks.

The Fund was consolidated as a subsidiary in consolidated financial statements for the year ended 31 December 2020. During the year, the Group has reassessed its control over the Fund and after considering the ownership, exposure to variable returns and other factors concluded that the Group has lost its control over the Fund effective from 15 March 2021. Accordingly, the Group has discontinued the consolidation of the Fund in its consolidated financial statements and has classified its interest in the Fund as fair value through income statement.

AlJazira Residential Projects Fund

AlJazira Residential Projects Fund was a close-ended shariah complaint development fund, managed by AlJazira Capital Company. AlJazira Residential Projects Fund (the "Real Estate Fund") commenced its operations dated 1 Rabi Awal 1433H (corresponding to 24 January 2012). The principal activity of the Real Estate Fund was development and sale of land.

1. ORGANISATION AND ITS ACTIVITIES (CONTINUED)

AlJazira Residential Projects Fund (continued)

The Real Estate Fund was consolidated as a subsidiary in consolidated financial statements for the year ended 31 December 2020. During the year, the Real Estate Fund was liquidated in accordance with the terms and conditions of the Fund effective from 28 February 2021. Accordingly, the Group ceased to consolidate the Real Estate Fund in its consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "Standards") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by Saudi Organisation for Chartered and Professional Accountants ("SOCPA") and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for measurement of investments at fair value through income statement and at fair value through other comprehensive income, using the accrual basis of accounting and the going concern concept. Further, employees' end of service benefits are measured at the present value of future obligations using the Projected Unit Credit Method.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries until the Group lost its control over the subsidiary or the subsidiary was liquidated *(note 1)*. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances.

2.5 Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Significant areas where management has used estimates, assumption and exercised judgments are as follows:
- Measurement of the expected credit loss allowance – notes 3(b) and 25.2
- Fair value of financial instruments – note 26
- Employees' end of service benefits – notes 3(i) and 15
- Depreciation and amortisation – notes 3(e), 3(f), 9 and 10
- Consolidation of funds under management – note 1

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current 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 including deferred tax asset are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- 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 Group classifies all other liabilities as non-current.

(b) Financial instruments

Recognition and initial measurement

The Group initially recognises financial assets and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus (minus), for an item not at FVTIS, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTIS are expensed in the consolidated statement of income.

Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through income statement ("FVTIS").

Financial Asset at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Financial Asset at FVOCI

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial Asset at FVTIS

All other financial assets are classified as measured at FVTIS.

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies. The Company, as the Fund Manager of its associates, qualifies for the application of the exemption of equity accounting because the business objective is similar to that of a venture capital organisation in respect of an investment entity. These investments in the funds are designated on initial recognition at FVTIS, and measured through income statement in accordance with IFRS 9 as the investments are part of a business model that is managed on a fair value basis.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular commission rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated, on a fair value basis are measured at FVTIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Financial instruments (continued)*

Assessment whether contractual cash flows are solely payments of principal and profit

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group 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 Group considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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. periodic reset of profit rates.

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

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Details of measuring the expected credit loss allowance are provided in note 25.2 to these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Financial liabilities

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTIS.

De-recognition

The Group derecognises a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Offsetting

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

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiary's equity obligations

The subsidiary's equity obligations represent the interest of other unit holders in subsidiary funds, and are classified as current liabilities. Changes in the subsidiary's equity obligations are recorded in consolidated statement of income and presented after "net income for the year after zakat and income tax".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or a financial asset. In addition, any amounts previously recognised in consolidated statement of other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of other comprehensive income are reclassified to consolidated statement of income. In case of loss of control over subsidiary, the Group also derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the consolidated statement of income.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Over the lease period or 24 years, whichever is shorter
Furniture, fixtures and office equipment	4-10 years
Motor vehicles	4 years

Capital work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalised on the related assets. Capital work in progress is not depreciated.

(f) Intangible assets

The Group's intangible assets include computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation on intangible assets is calculated on a straight-line basis over the estimated useful life of 4 to 6 years.

(g) Leases

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

Right-of-Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use leased asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the special commission rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

After the commencement date, Group measures the lease liability by:
- Increasing the carrying amount to reflect special commission expense on the lease liability.
- Reducing the carrying amount to reflect the lease payments made; and
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

(i) Employees' end of service benefits

The liability for employees' end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuation being conducted at end of annual reporting periods. The related liability recognised in the consolidated statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate used is the market yield on high quality corporate bonds or government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations.

Current service cost and the special commission expense arising on the end of service benefit liability are recorded in the consolidated statement of income. Re-measurement of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income.

Actuarial valuation involves making various assumptions, including the determination of discount rate and future salary increases, which may differ from the actual developments in future. Due to the complexity of valuation and its long-term nature, a defined benefit obligation is highly sensitive to the change in these assumptions. All assumptions are reviewed at each reporting date.

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of income over the period of borrowings using the effective commission rate method.

(k) Zakat and income tax

Zakat and income tax

Zakat and income tax is computed in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia.

Zakat and income tax is charged to consolidated statement of income and is payable to the Bank who settles the zakat and income tax liability of the Company as part of its consolidated zakat and income tax return.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, 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 obligation.

(m) Statutory reserve

In accordance with Companies by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholder.

(n) Impairment on non-financial assets

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

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

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

(o) Revenue from contracts with customers

The revenue is recognised when the Group transfers the services to customers at an amount that the Group expects to be entitled to in exchange for those services. The Group applies the following five-step approach to revenue recognition:

- Step 1: Identify the contract with the customer
- Step 2: Identify the separate performance obligations under the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (continued)

Identify the contract with the customer

The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognised only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identify the separate performance obligations under the contract

Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either a:

a) service that is distinct; or
b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

A service (or bundle of services) is distinct if the customer can benefit from the service on its own or together with other readily available resources (i.e. the service is capable of being distinct) and the service is separately identifiable from other promises in the contract (i.e. the service is distinct within the context of the contract).

The Group provides management services to its customers which are generally provided continuously over the contract period. Accordingly, the services in these contracts generally represent a single performance obligation.

Determine the transaction price

The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e. the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

Allocate the transaction price to separate performance obligations

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e. on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (continued)

Satisfaction of performance obligations

Revenue is recognised only when the Group satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied over time, the Group identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

Based on the above five steps, the revenue recognition policy for each revenue stream is as follows:

i) Brokerage income
Brokerage income is recognised at a point in time when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

ii) Asset and wealth management fees
Asset management fees are recognised over time based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised. The same principle is applied to the recognition of wealth management fees.

iii) Margin finance fees
Margin finance fees are recognised over time based on customer utilisation of the margin finance facility at the applicable rates agreed in the contract with the customer. The fee is recognised over the life of the facility at the effective commission rate method.

iv) Advisory and investment banking services revenue
Advisory and investment banking services revenue is recognised at a point in time based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

v) Special commission income on term deposits
Special commission income for all special commission bearing financial instruments (Murabaha deposits) are recognised over time in the consolidated statement of income using the effective commission rate basis.

vi) Dividend income
Dividend income is recognised at a point in time when the right to receive dividend is established.

vii) Trading income / (loss)
Results arising from trading activities include all gains and losses from changes in fair values and disposal of investments. Trading income/loss is recognised at a point in time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Expenses

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

(q) Foreign currency

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into SAR at the exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in the consolidated statement of income as net foreign exchange gains or losses, except for those arising on financial instruments at FVTIS, which are recognised as a component of net gain from financial instruments at FVTIS.

(r) Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Group are not treated as assets of the Group and accordingly are treated as off-balance sheet items in these consolidated financial statements.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

4.1 New and amended standards and interpretations

There are certain new and amended standards and interpretations became applicable for annual periods beginning on or after 1 January 2021 that are not applicable to the Group and, therefore, not presented in the notes to these consolidated financial statements.

4.2 New and amended standards issued but not yet effective and not early adopted

The Group has not applied the following new and amended standards that have been issued but are not yet effective, which will become effective for annual periods on or after 1 January 2022. The Group has not early applied these new amendments and standards in preparing these consolidated financial statements and is currently assessing their impact.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
In January 2020, the International Accounting Standards Board ("IASB") issued amendments to 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

In June 2021, the IASB tentatively decided to propose further amendments to IAS 1 and to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.

Reference to the conceptual framework – Amendments to IFRS 3 Business Combinations
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.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

4.2 New and amended standards issued but not yet effective and not early adopted (continued)

The IASB 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 IASB 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.

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 from 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 recognises the proceeds from selling such items, and the costs of producing those items, in statement of income.

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.

IFRS 9 - Financial Instruments - Fees in the '10 percent' 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.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

(Saudi Arabian Riyals in thousands)

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

4.2 New and amended standards issued but not yet effective and not early adopted (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

There are other new and amended standards and interpretations issued but not yet effective that are not applicable to the Group and, therefore, not presented in the notes to these consolidated financial statements.

5. CASH AND CASH EQUIVALENTS

	Note	***2021***	*2020*
Short term deposits	*5.1*	**--**	8,600
Cash at bank – current accounts		**8,041**	15,875
Cash in hand		**30**	30
		8,071	24,505

5.1 Short term deposits represent amounts invested with Bank AlJazira for a period up to three months. These deposits earned special commission income which was linked to the Saudi Interbank Offer Rate (SIBOR).

6. INVESTMENTS

	Notes	***2021***	*2020*
Current			
Investments at FVTIS	*6.1*	**260,173**	444,341
Non-current			
Investments at FVTIS	*6.1*	**6,619**	--
Investment at FVOCI	*6.2*	**40,981**	44,275
		47,600	44,275

6.1 Investments at FVTIS

The investments at FVTIS comprise of the following:

	2021	*2020*
Current		
Mutual fund units	**255,824**	396,753
Quoted equities	**4,349**	760
Quoted Sukuks	**--**	46,828
	260,173	444,341
Non-current		
Mutual fund units	**6,619**	--

(Saudi Arabian Riyals in thousands)

6. INVESTMENTS (CONTINUED)

6.2 Investment at FVOCI

Investment measured at FVOCI represents 2.04 million shares (31 December 2020: 1.75 million shares) in AlJazira Takaful Taawuni Company – the "Investee Company" with a total cost of SAR 17.5 million (31 December 2020: SAR 17.5 million). During the year, the Investee Company issued bonus shares, which increased the number of shares held by the Company. The fair value of investment is SAR 41.0 million as at 31 December 2021 (31 December 2020: SAR 44.3 million).

Movement of fair value reserve during the year is as follows:

	2021	*2020*
Balance at beginning of the year	**26,775**	13,545
Net change in fair value of investment	**(3,294)**	13,230
Balance at end of the year	**23,481**	26,775

7. MARGIN FINANCE RECEIVABLES

The Company extends margin finance facilities on a selective basis to its customers for the purpose of investing in the Saudi equity market. These facilities are extended up to a maximum period of one year and carry profit at agreed special commission rates.

The facilities are collateralised by underlying equities and cash held in the customers' investment accounts.

The Company has assessed the ECL on margin finance receivables and after considering the nature of these receivables, collateral available and history of defaults, the Company has concluded that no material ECL allowance is required against these receivables as at 31 December 2021 (31 December 2020: no material ECL allowance). Detailed information on ECL is in note 25.2 to these consolidated financial statements.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	Notes	***2021***	*2020*
Advance against investment	*8.1*	**187,500**	--
Asset management fees receivable	*8.2*	**56,375**	46,065
Prepayments		**3,677**	4,302
Other assets		**10,323**	5,481
		257,875	55,848

8.1 The advance was paid by the Company to subscribe the units in an open-ended Fund. Subsequent to the year-end the units were issued in favor of the Company.

8.2 Asset management fees receivable include SAR 42.2 million (31 December 2020: SAR 34.4 million) receivable from a Real Estate Fund managed by the Company. This receivable will be settled from the proceeds from the sale of land owned by the Fund.

(Saudi Arabian Riyals in thousands)

9. PROPERTY AND EQUIPMENT, NET

	Leasehold improvement	Furniture, fixture and office equipment	Motor Vehicle	Capital work in progress	Total
Cost					
At 1 January 2020	81,145	108,179	25	--	189,349
Additions during the year	25	371	--	711	1,107
Transfers during the year	--	277	--	(277)	--
Disposals during the year	--	(673)	--	--	(673)
At 31 December 2020	81,170	108,154	25	434	189,783
Additions during the year	--	191	564	4,249	5,004
Disposals during the year	(1,338)	(278)	--	--	(1,616)
At 31 December 2021	**79,832**	**108,067**	**589**	**4,683**	**193,171**
Accumulated depreciation					
At 1 January 2020	64,781	98,713	25	--	163,519
Charge for the year	1,461	4,080	--	--	5,541
Disposals during the year	--	(673)	--	--	(673)
At 31 December 2020	66,242	102,120	25	--	168,387
Charge for the year	1,420	3,200	12	--	4,632
Disposals during the year	(1,163)	(273)	--	--	(1,436)
At 31 December 2021	**66,499**	**105,047**	**37**	**--**	**171,583**
Net book value as at					
31 December 2021	**13,333**	**3,020**	**552**	**4,683**	**21,588**
31 December 2020	14,928	6,034	--	434	21,396

10. INTANGIBLE ASSETS, NET

	2021	*2020*
Cost		
At the beginning of the year	**18,346**	16,810
Additions during the year	**1,665**	1,536
At the end of the year	**20,011**	18,346
Amortisation		
At the beginning of the year	**13,451**	10,418
Charge for the year	**2,692**	3,033
At the end of the year	**16,143**	13,451
Net book value	**3,868**	4,895

As at 31 December 2021 intangible assets include work in progress amounting to SAR 1.5 million (31 December 2020: SAR 0.2 million).

(Saudi Arabian Riyals in thousands)

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITES

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

	Land and buildings	**Office Equipment**	**Motor Vehicle**	**Total**
Cost				
At 1 January 2020	34,914	36	307	35,257
Additions during the year	1,332	--	--	1,332
Impact of lease modifications - Note 11.1	(522)	--	--	(522)
At 31 December 2020	35,724	36	307	36,067
Additions during the year	572	--	--	572
Impact of lease modifications – Note 11.1	(1,190)	--	--	(1,190)
At 31 December 2021	**35,106**	**36**	**307**	**35,449**
Accumulated depreciation				
At 1 January 2020	5,400	9	162	5,571
Charge for the year	4,725	9	142	4,876
At 31 December 2020	10,125	18	304	10,447
Charge for the year	4,259	9	3	4,271
At 31 December 2021	**14,384**	**27**	**307**	**14,718**
Net book value as at				
31 December 2021	**20,722**	**9**	**--**	**20,731**
31 December 2020	25,599	18	3	25,620

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

	2021	*2020*
At the beginning of the year	**24,004**	27,720
Additions during the year	**572**	1,332
Accretion of special commission expense	**776**	1,212
Impact of lease modification – Note 11.1	**(1,190)**	(477)
Payments	**(5,052)**	(5,783)
At the end of the year	**19,110**	24,004

The above mentioned lease liabilities are disclosed in the consolidated statement of financial position as follows:

	2021	*2020*
Current liabilities	**3,103**	4,748
Non-current liabilities	**16,007**	19,256
	19,110	24,004

11.1 Modification in respect of right-of-use-asset and lease liability due to closure of certain investment centers and changes in the lease payment terms.

11.2 Short-term lease payments and leases of low value assets are not material to the consolidated financial statements and recognised as rent expense on a straight-line basis over the lease term.

(Saudi Arabian Riyals in thousands)

12. SHORT-TERM BORROWINGS

Short-term borrowing represents an unsecured Murabaha loan facility of SAR 2.3 billion (31 December 2020: SAR 1.7 billion) from Bank AlJazira to finance margin finance loans and working capital requirements. As at 31 December 2021, the amount of this facility utilised by the Company is SAR 1,331.5 million (31 December 2020: SAR 698.5 million). The financing carries commission at a rate ranging from 0.87% to 1.20% per annum (31 December 2020: 0.44% to 1.23% per annum) payable at maturity. Accrued special commission on the facility as at 31 December 2021 amounted to SAR 5.0 million (31 December 2020: SAR 2.0 million).

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	***2021***	*2020*
Employees related liabilities		**24,008**	15,322
Accrued expenses		**23,448**	20,822
Directors' remuneration	*28*	**2,058**	1,956
Other liabilities		**6,735**	3,358
		56,249	41,458

14. ACCRUED ZAKAT AND INCOME TAX

In accordance with ZATCA Regulations, the Company is subject to zakat in respect of the Saudi shareholders of the Bank and to income taxes in respect of the foreign shareholders of the Bank.

In accordance with Ministerial Resolution 1005, consolidated zakat and income tax returns are filed by the Bank for Bank AlJazira Group. The Company's zakat and income tax liabilities charged in these consolidated financial statements are an allocation of zakat and income tax liabilities of Bank AlJazira Group. These liabilities are payable by the Company to the Bank, who ultimately settles them with ZATCA.

14.1 Movement in zakat and income tax accrual

The movement during the year is as follows:

	Zakat	***Income tax***	***Total***
31 December 2021			
At beginning of the year	**34,445**	**383**	**34,828**
Zakat provision for the year	**15,519**	**--**	**15,519**
Income tax provision for the year	**--**	**964**	**964**
Payments made to the Bank	**(6,195)**	**(383)**	**(6,578)**
At the end of the year	**43,769**	**964**	**44,733**
31 December 2020			
At beginning of the year	31,548	226	31,774
Zakat provision for the year	6,195	--	6,195
Income tax provision for the year	--	383	383
Payments made to the Bank	(3,298)	(226)	(3,524)
At the end of the year	34,445	383	34,828

14.2 Zakat and income tax charge reported in the statement of income includes an impact of deferred tax income amounting to SAR 20 thousands (2020: deferred tax charge of SAR 52 thousands).

(Saudi Arabian Riyals in thousands)

14. ACCRUED ZAKAT AND INCOME TAX (CONTINUED)

14.3 Status of assessments

Zakat and income tax assessments for the period ended 31 December 2008 and the years ended 31 December 2009, 2010 and 2011, for which the Company filed separate zakat and income tax returns, have been finalised by the ZATCA with an additional demand of SAR 29.9 million. Following a Higher Appeal Committee (HAC) ruling during 2016 in ZATCA's favour, the Company filed an appeal with the Board of Grievances (BOG). The BOG annulled the HAC decision during 2018 on matters related to withholding taxes and referred it back to the tax authorities. During the year ended 31 December 2020, BOG issued verdict in ZATCA's favour on zakat matters, for which adequate provision is maintained by the Company.

With respect to the year ended 31 December 2012, the ZATCA had issued an initial zakat and income tax assessment with an additional demand of SAR 0.4 million. The Group filed an appeal related to the additional amount of SAR 0.4 million. During the year, The Appeal Committee for Tax Violations and Disputes issued its ruling in favor of the Group.

For the years ended 31 December 2013 through 2020 in accordance with Ministerial Resolution 1005, consolidated zakat and income tax returns have been filed for Bank AlJazira and the Company. The Company's zakat and income liabilities for the years 2013 through 2020 have been paid to the Bank.

15. EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employees' benefits are as follows:

	2021	*2020*
Balance at beginning of the year	**43,894**	42,548
Current service cost	**3,611**	3,373
Past service cost	**2,422**	--
Special commission cost	**774**	973
Amount recognised in consolidated statement of income	**6,807**	4,346
Transfer from Bank AlJazira	**--**	161
Re-measurement gain recognised in other comprehensive income	**(708)**	(422)
Benefits paid during the year	**(12,810)**	(2,739)
Balance at the end of the year	**37,183**	43,894

15.1 Re-measurement gain recognised in other comprehensive income is as follows:

	2021	*2020*
Effect of change in financial assumptions	**670**	71
Effect of experience adjustments	**38**	351
Re-measurement gain recognised in other comprehensive income	**708**	422

(Saudi Arabian Riyals in thousands)

15. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

15.2 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	2021	*2020*
Key actuarial assumptions		
Discount rate used	**2.50%**	2.11%
Expected annual salary increment	**2.25%**	2.11%
Expected employee turnover	**8.5%**	8.5%
Duration	**7.39 years**	6.72 years
Mortality rate	**0.11%**	0.11%
Demographic assumptions		
Retirement age	**60 years**	60 years

15.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

	2021		*2020*	
	Increase	***Decrease***	*Increase*	*Decrease*
Discount rate *(1% movement)*	**(2,573)**	**2,924**	(2,665)	3,023
Future salary growth *(1% movement)*	**3,097**	**(2,772)**	3,213	(2,885)
Withdrawal rate *(10% movement)*	**(337)**	**381**	(377)	424

15.4 Maturity profile

Expected maturity analysis of undiscounted end of service benefits is as follows:

	2021	*2020*
Year 1	**4,788**	5,772
Year 2	**3,118**	3,439
Year 3	**2,892**	7,104
Year 4	**2,740**	2,618
Year 5	**2,554**	3,285
Year 6 to 10	**12,647**	11,520
Year 11 and above	**16,604**	15,434

16. SHARE CAPITAL

The share capital is divided into 50 million shares (31 December 2020: 50 million shares) of SAR 10 each. The Company's share capital is wholly owned by Bank AlJazira as at 31 December 2021 and 31 December 2020.

17. COMMITMENTS

The un-utilised margin finance loan limits as at 31 December 2021 amount to SAR 88.4 million (31 December 2020: SAR 205.1 million).

(Saudi Arabian Riyals in thousands)

18. BROKERAGE FEES, NET

The brokerage fees is reported net of directly attributable expenses amounting to SAR 228.2 million (2020: SAR 187 million).

19. ASSET MANAGEMENT FEES, NET

The asset management fees is reported net of directly attributable expenses amounting to SAR 17.3 million (2020: SAR 13.7 million).

20. TRADING INCOME, NET

	2021	*2020*
Unrealised gain on investments at FVTIS, net	**2,872**	8,998
Realised gain on investments at FVTIS, net	**2,760**	1,435
	5,632	10,433

21. RENT AND PREMISES RELATED EXPENSES

The Bank has various lease agreements for Bank AlJazira Group offices including the Company's Head Office and investment centers. As mentioned in note 3(g), lease payments on short-term leases and leases of low-value assets are recorded as rent expense on a straight-line basis over the lease term.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	***2021***	*2020*
Technology expenses		**16,977**	12,699
Subscriptions		**4,433**	4,909
Share depository		**6,353**	6,059
Support service charges	*28*	**3,390**	3,390
Professional fees		**7,093**	2,587
Directors' remuneration	*28*	**2,278**	1,938
Repairs and maintenance		**1,357**	1,327
Utilities		**611**	789
Business promotion		**900**	674
Travelling		**744**	336
Training and conferences		**290**	259
Others		**7,673**	6,362
		52,099	41,329

23. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2021 and 31 December 2020 is calculated by dividing net income for the year by the weighted average outstanding number of shares for the year, totaling 50 million shares (31 December 2020: 50 million shares).

24. ASSETS HELD UNDER FIDUCIARY CAPACITY

Client funds and assets are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered off balance sheet items and do not constitute part of the Company's assets. The following table summarises the fiduciary assets, as at 31 December:

	2021	*2020*
Assets under management	**10.2 billion**	10.9 billion
Funds under administration / brokerage	**81.4 billion**	68.3 billion

25. FINANCIAL RISK MANAGEMENT

The Group's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation, monitoring of risks and controls.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors have established a Risk and Compliance committee to provide oversight on Group's risk management matters. Risk management policies are developed to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has dedicated Risk and Compliance functions. Day-to-day risk management activities are managed within each respective business unit. The Risk and Compliance committee meets periodically and is updated on all risk management matters.

The Group has exposure to the following risks arising from financial instruments:
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

25.1 Market risk

a) *Foreign exchange risk*

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's transactions are principally in SAR and US Dollar ("USD"). As the SAR is pegged to the USD, the Group is not exposed to any significant foreign exchange risk.

b) *Commission rate risk*

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments.

The Group's commission bearing financial instruments are margin finance receivables and short term deposits maintained with the Bank and short-term borrowings. The commission is fixed for the period for which these commission bearing financial instruments are issued or obtained. No significant commission rate risk exists for existing financial instruments.

c) *Price risk*

Price risk is the risk that the value of the Group's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The Group's price risk exposure relates to its investment in quoted equities and mutual funds units whose value will fluctuate as a result of changes in market prices.

The Investment Committee ensures that the proprietary investments are diverse and balanced, and seeks investment opportunities consistent with the investment strategy and risk appetite of the Group.

(Saudi Arabian Riyals in thousands)

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 Market risk (continued)

c) Price risk (continued)

The Group manages this risk through diversification of its investment portfolio in terms of industry concentration.

The Group's investment in mutual funds is disclosed below:

	2021		*2020*	
	%	***Amount***	*%*	*Amount*
Real estate funds	**5.3**	**13,986**	1.1	4,503
Equity funds	**7.9**	**20,693**	5.0	19,860
Money market funds	**84.3**	**221,145**	93.9	372,390
Private credit fund	**2.5**	**6,619**	--	--
	100	**262,443**	100	396,753

All mutual funds are incorporated in the Kingdom of Saudi Arabia except the private credit fund, which is incorporated in the United States of America.

The Group's investment in quoted equities by industry is disclosed below:

	2021		*2020*	
Industry Sector	*%*	***Amount***	*%*	*Amount*
Designated at FVTIS				
Consumer staples	**4.8**	**208**	--	--
Utilities	**6.5**	**284**	--	--
Financial services	**20.2**	**880**	--	--
Health care	**25.9**	**1,126**	100	760
Information technology	**42.6**	**1,851**	--	--
	100	**4,349**	100	760
Designated at FVOCI				
Financial services	**100**	**40,981**	100	44,275

All the above equities are listed on the Saudi Stock Exchange (Tadawul).

The effect on the consolidated statement of income (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity indices and / or the mutual funds' net assets value, with all other variables held constant, is as follows:

		Effect on consolidated statement of income	
	Potential reasonable change %	***2021***	*2020*
Real estate funds	+/- 5%	**699**	225
Equity funds	+/- 5%	**1,035**	993
Money market funds	+/- 1%	**2,211**	3,724
Private credit fund	+/- 1%	**66**	--
Quoted equities	+/- 5%	**217**	38

(Saudi Arabian Riyals in thousands)

25 FINANCIAL RISK MANAGEMENT (CONTINUED)

25.1 Market risk (continued)

c) Price risk (continued)

The effect on the consolidated statement of other comprehensive income (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		Effect on consolidated statement of other comprehensive income	
	Potential reasonable change %	***2021***	*2020*
Quoted equity			
(AlJazira Takaful Taawuni Company)	+/- 5%	**2,049**	2,214

25.2 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and may cause the other party to incur a financial loss. The Group is exposed to credit risk mainly arising from cash and cash equivalents, margin finance receivables and other current assets.

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

The Group's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	2021	*2020*
Cash at bank	**8,041**	24,505
Margin finance receivables	**1,945,957**	1,173,523
Due from related party	**4,004**	27,677
Quoted Sukuks	**--**	46,828
Other current assets	**254,198**	51,546
	2,212,200	1,324,079

Cash at bank and other current assets
Bank balances are maintained with banks having sound credit ratings. Other current assets represent asset management fees receivable mainly from mutual funds and portfolios managed by the Company, advance against investment, and receivables from corporate clients, which are considered as low credit risk by the Group.

(Saudi Arabian Riyals in thousands)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 Credit risk (continued)

Quoted sukuk
The Group had Sukuk placements with counterparties with the following credit quality.

Credit Rating	*Credit Rating Agency*	*2021*	*2020*
AAA	Fitch	--	1,349
Aa3	Moody's	--	785
AA-	Fitch	--	819
A1	Moody's	--	9,571
A2	Moody's	--	1,598
A+	Fitch	--	778
A	Fitch	--	3,166
A3	Moody's	--	1,761
BBB	Fitch	--	2,867
Baa1	Moody's	--	3,871
Baa2	Moody's	--	9,537
Baa3	Moody's	--	2,515
Ba2	Moody's	--	818
B1	Moody's	--	1,233
B2	Moody's	--	1,657
B3	Moody's	--	761
Unrated	--	--	3,742
		--	46,828

Margin finance receivables
Lending for margin finance is done with initial coverage of at least 200%. This coverage is actively monitored and margin calls and liquidation calls are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralised at all times. Customer portfolios are liquidated to cover the loan amounts if the collateral coverage ratio drops below the liquidation level. Even though there might be a small probability of default, the ECL results in zero impairment provision as the pledged collateral (in the form of cash or liquid securities) adequately covers the exposure. The over-collateralised nature of the exposure, coupled with the Group's monitoring process, results in a loss given default (LGD) of zero.

Given the nature and extent of the collateral pledged against the Group's margin finance receivables, the management considers the credit risk of the exposures to be minimal.

The fair value of the collateral held against margin finance receivables amounted to SAR 5,954 million as at 31 December 2021 (31 December 2020: SAR 4,732 million).

25.3 Liquidity risk

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

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Group maintains a Murabaha loan facility from Parent Company, Bank AlJazira to satisfy its liquidity requirements.

(Saudi Arabian Riyals in thousands)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3 Liquidity risk (continued)

The Group's liquidity management approach ensures that it always has sufficient liquidity (or access to sufficient liquidity) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Group's reputation.

The contractual maturity profile of the financial assets and financial liabilities of the Group as at 31 December 2021 was as follows:

	Within 3 months	***3 to 12 months***	***More than 1 year***	***No fixed maturity***	***Total***
Cash and cash equivalents	--	--	--	8,071	8,071
Margin finance receivables	572,218	1,373,739	--	--	1,945,957
Due from related party	4,004	--	--	--	4,004
Investments	--	--	--	307,773	307,773
Other current assets	212,028	42,170	--	--	254,198
Total financial assets	**788,250**	**1,415,909**	**--**	**315,844**	**2,520,003**
Short-term borrowings	562,122	769,422	--	--	1,331,544
Due to related parties	7,400	--	--	--	7,400
Lease liabilities	101	3,002	16,007	--	19,110
Other current liabilities	28,864	3,937	--	--	32,801
Total financial liabilities	**598,487**	**776,361**	**16,007**	**--**	**1,390,855**
Net position	**189,763**	**639,548**	**(16,007)**	**315,844**	**1,129,148**

The contractual maturity profile of the financial assets and financial liabilities of the Group as at 31 December 2020 was as follows:

	Within 3 months	*3 to 12 months*	*More than 1 year*	*No fixed maturity*	*Total*
Cash and cash equivalents	24,505	--	--	--	24,505
Margin finance receivables	486,736	686,787	--	--	1,173,523
Due from related party	27,677	--	--	--	27,677
Investments	--	--	--	488,616	488,616
Other current assets	17,104	34,442	--	--	51,546
Total financial assets	556,022	721,229	--	488,616	1,765,867
Short-term borrowings	103,683	594,865	--	--	698,548
Due to related parties	1,429	--	--	--	1,429
Lease liabilities	2,133	2,615	19,256	--	24,004
Other current liabilities	17,296	3,340	--	--	20,636
Total financial liabilities	124,541	600,820	19,256	--	744,617
Net position	431,481	120,409	(19,256)	488,616	1,021,250

(Saudi Arabian Riyals in thousands)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at year end based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

31 December 2021	***Within 3 months***	***3 to 12 months***	***More than 1 year***	***No fixed maturity***	***Total***
Short-term borrowings	562,837	774,470	--	--	1,337,307
Due to related parties	7,400	--	--	--	7,400
Lease liabilities	102	3,086	18,344	--	21,532
Other current liabilities	28,864	3,937	--	--	32,801
Total	**599,203**	**781,493**	**18,344**	**-**	**1,399,040**

31 December 2020	*Within 3 months*	*3 to 12 months*	*More than 1 year*	*No fixed maturity*	*Total*
Short-term borrowings	103,818	598,077	--	--	701,895
Due to related parties	1,429	--	--	--	1,429
Lease liabilities	2,135	2,847	24,032	--	29,014
Other current liabilities	17,296	3,340	--	--	20,636
Total	124,678	604,264	24,032	--	752,974

25.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Group's activities either internally or externally at the Group's service provider level and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Group manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective of managing operational risk is to ensure control of the Group's resources by protecting the assets of the Group and minimising the potential for financial loss.

The Group's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors. These tools include a loss database of operational risks events categorised according to CMA Prudential Rules, business lines, operational risk event types and a risk and control assessment process to analyse business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss. High impact risks and issues of critical importance are reported to the Board of Directors which then set resolution priorities.

(Saudi Arabian Riyals in thousands)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price. Investments in mutual funds are valued at the net asset value per unit as determined by the relevant fund manager.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

31 December 2021	***Carrying Value***	***Level 1***	***Level 2***	***Level 3***	***Total***
Investments	**307,773**	**45,330**	**262,443**	**--**	**307,773**
31 December 2020					
Investments	488,616	91,863	396,753	--	488,616

Carrying value of other financial assets such as cash and cash equivalents, margin finance receivables, due from related party, other current assets and financial liabilities are approximate to their fair value and are classified as level 3.

(Saudi Arabian Riyals in thousands)

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2021	**Amortised cost**	**FVTIS**	**FVOCI**
Cash and cash equivalents	8,071	--	--
Margin finance receivables	1,945,957	--	--
Due from related party	4,004	--	--
Investments	--	266,792	40,981
Other current assets	254,198	--	--
Total	**2,212,230**	**266,792**	**40,981**

31 December 2020	Amortised cost	FVTIS	FVOCI
Cash and cash equivalents	24,505	--	--
Margin finance receivables	1,173,523	--	--
Due from related party	27,677	--	--
Investments	--	444,341	44,275
Other current assets	51,546	--	--
Total	1,277,251	444,341	44,275

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

28. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of the Board of Directors, key management personnel of the Company, mutual funds under management, Bank AlJazira and its subsidiaries and affiliated companies.

28.1 Related party transactions

The significant transactions with related parties during the year were as follows:

Related party	***Notes***	***2021***	*2020*
Bank AlJazira			
Special commission income	*(a)*	**54**	128
Investment banking services fee		**3,125**	2,250
Custody fees		**5,266**	4,511
Special commission expense		**10,126**	6,021
Support service charges	*(b)*	**3,390**	3,390
Rent and premises related expenses	*(c)*	**1,924**	1,503
Lease related expenses		**5,047**	6,088
Bank charges		**929**	927
Mutual funds			
Asset management fees		**29,691**	27,191
Board of Directors			
Directors' remuneration		**2,278**	1,938
Key management personnel			
Salaries and compensation		**23,142**	10,271
End of service benefit		**520**	640

(Saudi Arabian Riyals in thousands)

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

28.1 Related party transactions (continued)

a) Special commission income is earned on deposits maintained with the Bank.

b) Support service charges represent financial, administrative, logistics, legal, IT related and internal audit services as per the service agreement with the Bank.

c) Rent and premises related expenses are paid to the Bank in relation to the offices and investment centres of the Company as disclosed in note 21 of these consolidated financial statements.

28.2 Balances with related parties

Related party	***2021***	*2020*
Bank AlJazira		
Cash and cash equivalents	**8,041**	21,435
Due from related party including custody fee	**4,004**	29,295
Due to related party	**5,373**	--
Short-term borrowings (note 12)	**1,331,544**	698,548
AlJazira Takaful		
Investment	**40,981**	44,275
Due to related party	**2,027**	1,429
Mutual funds		
Investments	**255,824**	205,653
Asset management fees receivable	**54,146**	44,427
Board of directors		
Directors’ remuneration	**2,058**	1,956
Key management personnel		
Employee benefit obligations	**9,447**	10,182

(Saudi Arabian Riyals in thousands)

29. CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the "Rules") dated 17 Safar 1434H (corresponding to 30 December 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	2021	*2020*
Capital Base:		
Tier 1 Capital	**1,046,299**	926,309
Tier 2 Capital	**23,481**	26,775
Total Capital Base	**1,069,780**	953,084
Minimum Capital Requirement:		
Market Risk	**38,351**	71,146
Credit Risk	**540,071**	342,654
Operational Risk	**47,429**	37,500
Total Minimum Capital Required	**625,851**	451,300
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**1.71**	2.11
Surplus in Capital	**443,929**	501,784

a) Capital Base of the Company comprise of:
- Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves.
- Tier-2 capital consists of revaluation reserves.

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

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

30. IMPACT OF COVID-19 ON BUSINESS AND OPERATIONS

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. Despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

As of the date of preparation of these consolidated financial statements for the year ended 31 December 2021, the management has not identified any significant impact on Company's operations and financial results from the COVID-19. These developments could impact our future financial results, cash flows and financial condition and the management will continue to assess the nature and extent of the impact on its business and financial results.

31. EVENTS AFTER THE END OF REPORTING PERIOD

No event has occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

32. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements and its accompanying notes were approved by the Board of Directors on 29 Rajab 1443H (corresponding to 2 March 2022).