

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 December 2021**  
together with the  
**INDEPENDENT AUDITOR'S REPORT**



## KPMG Professional Services

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Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report

To the shareholder of Albilad Investment Company

## Opinion

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

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

## Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

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

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

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

## Auditor's responsibilities for the audit of the financial statements

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

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأسمالها (٢٥٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للتوازن وشركاء محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والناظمة لـ كي بي إم جي العالمية المحدودة، شركة تجارزة محدودة بضمان. جميع الحقوق محفوظة.



## Independent auditor's report

To the shareholder of Albilad Investment Company (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

### KPMG Professional Services

**Hani Hamzah A. Bedairi**  
License no: 460



Riyadh: 24 Sha'ban 1443H  
Corresponding to: 27 March 2022

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Riyals)

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**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
For the year ended 31 December 2021  
*(Amounts in Saudi Riyals)*

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Cash and bank balances	4	179,227,093	325,370,813
Receivable against margin lending	5	482,713,290	115,276,669
Investments held at fair value through statement of income (FVSI)	6	384,829,911	307,873,218
Other assets	8	67,095,714	82,601,322
Investments held at amortized cost	7	83,654,200	30,661,273
Property and equipment, net	9	3,811,411	5,120,842
Intangible assets, net	10	1,012,395	1,501,545
Right-of-use assets	11	4,217,168	6,325,748
<b>Total assets</b>		<u>1,206,561,182</u>	<u>874,731,430</u>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Short-term murabaha financing	12	200,493,905	--
Accruals and other liabilities	13	197,131,143	176,630,251
Zakat payable	14	11,953,956	8,455,357
Lease liability	11	4,419,443	6,516,041
Employees' end of service benefits	15	14,085,430	11,889,012
<b>Total liabilities</b>		<u>428,083,877</u>	<u>203,490,661</u>
<b>Equity</b>			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	60,000,000	52,542,073
Retained earnings		520,331,963	420,204,283
Other reserves		(1,854,658)	(1,505,587)
<b>Total equity</b>		<u>778,477,305</u>	<u>671,240,769</u>
<b>Total liabilities and equity</b>		<u>1,206,561,182</u>	<u>874,731,430</u>

The accompanying notes from 1 to 27 form an integral part of these financial statements.

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2021  
(Amounts in Saudi Riyals)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Revenue</b>			
Income from brokerage services		92,056,693	84,696,145
Income from asset management services		87,490,153	51,940,500
Income from advisory services		12,551,004	5,011,250
Income from custody services		29,293,062	21,727,727
Special commission income		15,679,846	9,691,485
Income from investments held at FVSI	6	498,350	7,699,071
<b>Total revenue</b>		<b>237,569,108</b>	<b>180,766,178</b>
Foreign exchange revaluation		(855,556)	(68,505)
Dividend income	19	1,619,215	140,638
Other income		405,000	517,226
<b>Total other income</b>		<b>1,168,659</b>	<b>589,359</b>
<b>Total operating income</b>		<b>238,737,767</b>	<b>181,355,537</b>
<b>Operating expenses</b>			
Salaries and employee related expenses		(81,285,640)	(67,265,207)
General and administrative expenses	20	(30,800,094)	(27,342,629)
Finance cost on lease liability		(151,752)	(236,310)
Special commission expense on short-term murabaha financing	12	(1,230,081)	(357,717)
Impairment allowance for expected credit losses, net	22.2	(5,730,637)	(1,600,103)
<b>Total operating expenses</b>		<b>(119,198,204)</b>	<b>(96,801,966)</b>
<b>Net income for the year before zakat</b>		<b>119,539,563</b>	<b>84,553,571</b>
Zakat charge for the year	14	(11,953,956)	(8,455,357)
<b>Net income for the year</b>		<b>107,585,607</b>	<b>76,098,214</b>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified subsequently to the statement of income:</i>			
Re-measurement loss on employees' end of service benefits	15	(349,071)	(916,433)
<b>Other comprehensive loss for the year</b>		<b>(349,071)</b>	<b>(916,433)</b>
<b>Total comprehensive income for the year</b>		<b>107,236,536</b>	<b>75,181,781</b>

The accompanying notes from 1 to 27 form an integral part of these financial statements.

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2021  
*(Amounts in Saudi Riyals)*

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Total</u>
<b>Balance as at 1 January 2021</b>	<b>200,000,000</b>	<b>52,542,073</b>	<b>420,204,283</b>	<b>(1,505,587)</b>	<b>671,240,769</b>
<b>Total comprehensive income for the year:</b>					
- Net income for the year	--	--	107,585,607	--	107,585,607
- Other comprehensive income for the year	--	--	--	(349,071)	(349,071)
Total comprehensive income for the year	--	--	107,585,607	(349,071)	107,236,536
Transfer to statutory reserve		7,457,927	(7,457,927)	--	--
<b>Balance as at 31 December 2021</b>	<b>200,000,000</b>	<b>60,000,000</b>	<b>520,331,963</b>	<b>(1,854,658)</b>	<b>778,477,305</b>
Balance as at 1 January 2020	200,000,000	44,932,252	351,715,890	(589,154)	596,058,988
<b>Total comprehensive income for the year:</b>					
- Net income for the year	--	--	76,098,214	--	76,098,214
- Other comprehensive income for the year	--	--	--	(916,433)	(916,433)
Total comprehensive income for the year	--	--	76,098,214	(916,433)	75,181,781
Transfer to statutory reserve	--	7,609,821	(7,609,821)	--	--
<b>Balance as at 31 December 2020</b>	<b>200,000,000</b>	<b>52,542,073</b>	<b>420,204,283</b>	<b>(1,505,587)</b>	<b>671,240,769</b>

The accompanying notes 1 through 27 form an integral part of these financial statements.

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021  
(Amounts in Saudi Riyals)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>			
Net income for the year before zakat		119,539,563	84,553,571
<u>Adjustments for:</u>			
Provision for employees' end of service benefits	15	2,527,284	2,103,876
Depreciation	9,11	4,089,122	4,188,630
Amortization	10	685,715	1,090,040
Special commission expense on short-term murabaha financing	12	1,230,081	357,717
Unrealised loss on investments held at FVSI	6	713,320	4,370,307
Realised gain on sale of investments held at FVSI	6	(1,211,670)	(12,069,378)
Special commission income on investments held at amortised cost	7	(2,283,706)	(653,247)
Foreign exchange loss		855,556	68,505
Impairment allowance for expected credit losses, net	22.2	5,730,637	1,600,103
Finance cost on lease liability	11	151,752	236,310
		<u>132,027,654</u>	<u>85,846,434</u>
<u>Changes in operating assets and liabilities:</u>			
(Increase) / decrease in receivable against margin lending		(367,436,621)	33,077,331
Decrease / (increase) in other assets		8,919,415	(3,701,919)
Increase in accrued expenses and other liabilities		20,500,892	12,193,798
		<u>(338,016,314)</u>	<u>41,569,210</u>
Zakat paid	14	(8,455,357)	(8,861,425)
Employees' end of service benefits paid	15	(679,937)	(409,402)
Lease paid	11	(2,248,350)	(2,154,600)
		<u>(11,383,644)</u>	<u>(11,425,427)</u>
<b>Net cash (used in) / generated from operating activities</b>		<u>(217,372,304)</u>	<u>115,990,217</u>
<b>Cash flows from investing activities:</b>			
Purchase of investments held at FVSI	6	(111,633,659)	(223,619,021)
Purchase of investments held at amortised cost	7	(53,652,101)	(28,079,724)
Proceeds from sale of investments held at amortised cost	7	1,000,000	1,000,000
Proceeds from sale of investments held at FVSI	6	35,175,316	196,848,802
Purchase of property and equipment	9	(1,140,135)	(1,125,666)
Disposal / transfer of property and equipment	9	469,024	--
Additions to intangible assets	10	(196,565)	--
Special commission income received on investments held at amortised cost	7	1,942,880	356,944
<b>Net cash used in investing activities</b>		<u>(128,035,240)</u>	<u>(54,618,665)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from short-term murabaha financing	12	230,000,000	--
Repayments of short-term murabaha financing	12	(30,000,000)	(20,000,000)
Repayment of profit on short-term murabaha financing	12	(736,176)	(387,350)
<b>Net cash generated from / (used in) financing activities</b>		<u>199,263,824</u>	<u>(20,387,350)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(146,143,720)</u>	<u>40,984,202</u>
Cash and cash equivalents at the beginning of the year		325,370,813	284,386,611
<b>Cash and cash equivalent at the end of the year</b>		<u>179,227,093</u>	<u>325,370,813</u>

The accompanying notes from 1 to 27 form an integral part of these financial statements.



**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**1. GENERAL INFORMATION**

Albilad Investment Company (“the Company”) is a Saudi Closed Joint Stock Company and a 100% owned subsidiary of Bank Albilad. The Company was registered as a limited liability company in the Kingdom of Saudi Arabia under commercial registration number 1010240489 dated 11 Dhul Qa’adah 1428H (corresponding to 20 November 2007) issued in Riyadh. The Company was converted from a limited liability Company to a Saudi Closed Joint Stock Company on 16 Shawwal 1438H (Corresponding to 10 July 2017) which is the date of its new commercial registration.

The Company was formed in accordance with Capital Market Authority’s (“CMA”) letter No. 2-38-2007 dated 8 Rajab 1428H (corresponding to 22 July 2007).

The licensed activities are to act as a principal, underwriter and agent to provide dealing of securities, managing, arranging, advisory and custody services for securities activities. In the ordinary course of its business, the Company provides brokerage services in Saudi stock exchange and international stock exchanges, establishment and management of mutual funds and portfolio management, underwriting, arranging, advisory, receivable against margin lending, murabaha, custody services and equity swap facilities.

**2. BASIS OF PREPARATION**

*a) Statement of compliance*

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization 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.

*b) Basis of measurement and presentation*

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at fair value. The company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in the order of their liquidity.

Furthermore, the employee benefit obligation is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method and actuarial assumptions.

*c) Functional and presentation currency*

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

*d) Critical accounting judgements, estimates and assumptions*

The preparation of the financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**2. BASIS OF PREPARATION (CONTINUED)**

***d) Critical accounting judgements, estimates and assumptions (continued)***

The Company has made various accounting estimates in these financial statements which reflect expectations and assumptions as at 31 December 2021 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Key areas where management has used estimates, assumptions or exercised judgements are as follows:

*i. Provisions for legal claims*

The Company receives legal claims in the normal course of its business. Judgments is made as to the likelihood of any claim succeeding in making the provision. The time of concluding legal claims are uncertain, as this pertains to estimate for possible outflow of economic benefits. Timing and cost ultimately depend on the due process being followed as per the laws and regulations.

*ii. Assumptions for employee benefit obligations*

The provision for employee benefit obligations is made based on actuarial valuations in accordance with the Saudi Arabian Labour Law based on employees' accumulated periods of service at the date of the statement of financial position. Net obligation of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

*iii. Determination of control over mutual funds*

The Company acts as a fund manager of a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in all cases, and therefore, does not control these mutual funds.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below.

***Change in accounting policies***

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual audited financial statements.

***New standards, amendments and interpretations adopted in preparation of these financial statements***

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021. The management has assessed that the amendments have no significant impact on the Company's financial statements.

**ALBILAD INVESTMENT COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- Interest rate benchmark reform - phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID 19 - related rent concessions (amendments to IFRS 16);
- Annual Improvements to IFRS Standards 2018–2020 (amendment to IFRS 1, IFRS 9 and IAS 41);
- Reference to conceptual framework (amendments to IFRS 3);
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16); and
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37).

*New standards and amendments issued but not yet effective and not early adopted*

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2022 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1, Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure initiative: accounting policies;
- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10, Consolidated financial statements and IAS 28 investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

The management of the Company anticipates that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

**a) Cash and bank balances**

Cash and bank balances include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

**b) Financial instruments**

**i. Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company records investments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, 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. Immediately after initial recognition, an ECL is recognised for financial assets measured at amortised cost, which results in an impairment charge being recognised in the statement of comprehensive income when an asset is newly originated.

**ALBILAD INVESTMENT COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Financial instruments (continued)**

**ii. Classification and subsequent measurement of financial assets**

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”); and
- Fair value through statement of income (“FVSI”).

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective. Classification and subsequent measurement of debt instruments depend on:

- the Company’s business model for managing the asset; and
- the cash flow characteristics of the asset.

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset’s performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in ‘other’ business model and measured at FVSI.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments’ cash flows represent solely payment of principal and interest (“SPPI”). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 3b(iii). Profit earned from these financial assets is recognised in the statement of comprehensive income using the effective commission rate method.

**ALBILAD INVESTMENT COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Financial instruments (continued)**

**ii. Classification and subsequent measurement of financial assets (continued)**

FVSI:

If debt instrument's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt instrument measured at FVSI is recognised in the statement of income, within "Net gain / (loss) in investments measured at FVSI", in the period in which it arises.

FVOCI:

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVSI, are measured FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, the commission revenue and foreign exchange gains and losses are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

Currently investment in Sukuk is classified as held at amortised cost. There are no debt securities classified as FVSI or FVOCI.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Company's right to receive payments is established.

Currently investment in mutual funds have been classified as FVSI whereas there is no investment designated as held at FVOCI under irrevocable option by the Company.

**iii. Impairment allowance for Expected Credit Losses ("ECL")**

The Company assesses on a forward-looking basis, the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on Company historical experience and expert credit assessment. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to Company in full, or the borrower is past due more than 90 days on any material credit obligation to Company.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Financial instruments (continued)**

**iii. Impairment allowance for ECL (continued)**

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (“PD”);
- loss given default (“LGD”); and
- exposure at default (“EAD”).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information. The impact of ECL is not considered to be material to the Company’s financial statements.

**iv. Financial liabilities**

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

**v. Fair valuation of financial instruments**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

**vi. Derecognition of financial instruments**

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred, and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

**c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**d) Accruals and other liabilities**

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company. These are carried at amortised cost.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**f) Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Leasehold improvements	10 years
Office furniture and equipment	4 years
Motor vehicles	4 years
Computers hardware	5 years
Fixture and fittings	5 years

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.

An item of property and equipment is derecognized 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 statement of income when the asset is derecognized. Normal repair and maintenance are charged to the statement of income as and when incurred.

Capital work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials, services and capital advances. Capital work in progress is not depreciated.

**g) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life of 5 years.

**h) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**i) Employees' end of service benefits ("EOSB")**

The employees' EOSB provision is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labor Law. In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service. The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the date of statement of financial position. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through statement of other comprehensive income in the period in which these occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service costs are recognized in statement of income on the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

**j) Statutory reserve**

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 30% of the share capital. The reserve is not available for distribution.

**k) Zakat**

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Custom Authority (ZATCA). Zakat and income taxes are charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

**l) Assets held in trust or in a fiduciary capacity**

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

**m) Revenue recognition**

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It established a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, the Company recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company recognises revenue when the amount can be reliably measured, and it is probable that future economic benefits will flow to the Company. The Company applies the following five-step approach of revenue recognition:



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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**m) Revenue recognition (continued)**

- 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

Based on the above five steps the revenue recognition policies for the various revenue streams is as follow:

**Brokerage income** - Income on brokerage transaction is recognized on accrual basis net of expenses. The moment the transaction is executed / concluded, the agent (in this case the Company) has satisfied its performance obligation, which is considered as a performance obligation satisfied at a point in time and not over a period of time. Thus, upon rendering of services the revenue from brokerage – is to be recognized. Brokerage income earned on a daily buy and sell transactions is recognized on the trade date.

**Asset management fees** - Asset management fees are recognized 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 Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company’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 recognized.

**Subscription fees** - This fee compensates and contributes to the Fund Manager separate performance obligation, the Fund Manager service is generally satisfied upon the investor’s subscription and trigger immediate recognition of the revenue, assuming no further commitments remain.

**Advisory and investment banking services revenue** - Advisory and investment banking services revenue is recognised based on services rendered as being complete in accordance with the underlying agreement / contract using the five-step approach to revenue recognition above.

**Custody fee** - Generally revenue for the custody fees is recognised based on a time proportionate basis. The Company provides a non-restrictive legal custodial structure in line with CMA requirements and conducive for efficient operations of the mutual funds under management, while tailored for specific requirements of Fund Managers on a case-by-case basis.

**Special commission income**

**Margin finance fees** – Income from receivable against margin lending facilities is recognized on a time proportionate basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the customer.

**Income from murabaha and sukuks** – Income is recognised on an effective commission rate basis.

**n) Dividend income**

Dividend income is recognised when the right to receive dividend is established.

**o) Expenses**

Expenses, other than employee's costs and financial charges are classified as general and administrative expenses. These also include expenses allocated by the parent company.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) Special commission expense on short-term Murabaha financing**

Special commission expense on short term murabaha financing is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed.

**q) Leases**

On initial recognition at the inception of the contract, the Company 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 a consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

***Right of use assets***

The Company applies cost model and measures the right of use asset at cost;

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any re-measurement of the lease liability for lease modifications

Generally, the right-of-use assets would equate to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right-of-use assets value.

***Lease liability***

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:

- 1. Increasing the carrying amount to reflect the interest on the lease liability,
- 2. Reducing the carrying amount to reflect the lease payments made: and
- 3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

***Short-term and low values leases***

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

**r) Foreign currencies transactions and balances**

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the year-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

**s) Contingent assets and liabilities**

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

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**4. CASH AND BANK BALANCES**

	<u>Note</u>	<b>31 December 2021</b>	31 December <u>2020</u>
Cash in hand		<b>35,000</b>	10,000
Cash at Bank - current accounts	4.1	<b>64,222,646</b>	35,460,104
Less: allowance for ECL		<b>(14,818)</b>	(8,584)
		<b>64,207,828</b>	35,451,520
Murabaha deposit with banks	4.2	<b>114,984,265</b>	289,909,293
		<b>179,227,093</b>	325,370,813

4.1 This represents account maintained with the parent company i.e. Bank Albilad. At 31 December 2021, Bank Albilad has an investment grade rating as rated by the international rating agencies.

4.2 At 31 December 2021, murabaha deposits are placed with banks have an original maturity from 1 to 3 months (2020: from 1 to 3 months) with average rate of 0.75% (31 December 2020: 0.3% to 0.45%). Following is the movement during the year:

	<b>31 December 2021</b>	31 December <u>2020</u>
Principal amount outstanding	<b>115,000,000</b>	290,000,000
Accrued profit on outstanding amount	<b>18,021</b>	24,958
Less: allowance for ECL	<b>(33,756)</b>	(115,665)
	<b>114,984,265</b>	289,909,293

**5. RECEIVABLE AGAINST MARGIN LENDING**

The Company extends receivable against margin lending facilities to its customers to invest in the Saudi stock exchange. These facilities are backed by collaterals and extended up to a maximum period of one year and bear prevailing profit rates on the amount of receivable against margin lending.

During the year, certain directors of the Company have been granted receivable against margin lending facilities with total transactions during the year amounting to SAR 68.95 million (2020: SAR 11.44 million). The outstanding balances were SAR 99.67 million (2020: SAR 30.72 million).

	<b>31 December 2021</b>	31 December <u>2020</u>
Gross receivable against margin lending	<b>474,899,121</b>	112,555,896
Accrued profit	<b>7,814,169</b>	2,720,773
	<b>482,713,290</b>	115,276,669

**6. INVESTMENTS HELD AT FVSI**

As at 31 December 2021, investments held at FVSI comprise of investment in units of various public and private funds which are recorded at fair value.

	<b>31 December 2021</b>	31 December <u>2020</u>
Opening balance	<b>307,873,218</b>	273,403,928
Additions	<b>111,633,659</b>	223,619,021
Disposals	<b>(35,175,316)</b>	(196,848,802)
Unrealized loss	<b>(713,320)</b>	(4,370,307)
Realized gain	<b>1,211,670</b>	12,069,378
Closing balance	<b>384,829,911</b>	307,873,218

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**6 INVESTMENTS HELD AT FVSI (CONTINUED)**

Following is the breakdown of the investments:

	<b>31 December 2021</b>	31 December <u>2020</u>
<i>Investment funds:</i>		
ABIC Makkah Hospitality Fund	204,522,527	204,522,527
Albilad SAR Murabaha Fund	75,950,169	55,156,702
Albilad Diversified SAR Fund	35,220,589	--
Albilad Saudi Sovereign Sukuk ETF	13,068,454	11,413,819
Canary Al Khozama Residential Compound Real Estate Fund	10,871,529	11,100,158
Albilad Gold ETF	10,348,945	13,166,292
The Second Commercial Complex Fund	3,314,883	4,769,981
Al Dhahiyah Investment Fund	2,976,098	3,170,999
Albilad GCC Equity Income Fund	--	4,572,740
<i>Others</i>		
Investment in DPM Equity	4,663,878	--
ABIC UK Real Estate opportunities Ltd	23,892,839	--
Total	<u>384,829,911</u>	<u>307,873,218</u>

**7 INVESTMENTS HELD AT AMORTIZED COST**

During the year ended 31 December 2021, the Company purchased sukuks, amounting to SAR 53.6 million (31 December 2020: 28.1 million) that will mature by latest 2031 carrying a profit rate of between 2.65% to 8% per annum.

	<b>31 December 2021</b>	31 December <u>2020</u>
Opening Balance	30,661,273	3,285,246
Purchased during the year	53,664,515	28,103,321
Income earned during the year	2,283,706	653,247
Settlement during the year	(1,000,000)	(1,000,000)
Profit received during the year	(1,942,880)	(356,944)
Less: allowance for ECL	(12,414)	(23,597)
	<u>83,654,200</u>	<u>30,661,273</u>

**8 OTHER ASSETS**

	<i>Note</i>	<b>31 December 2021</b>	31 December <u>2020</u>
Receivable from funds and discretionary portfolios:			
- Management fees from funds	21.2	52,983,350	51,642,421
- Outstanding loans to private funds	21.2	5,151,610	17,318,741
- Management fee from discretionary portfolios – local		1,959,181	1,309,243
Investment banking and security's custody income receivable		11,002,490	9,500,691
Prepayments		2,483,433	2,193,665
Others		1,990,529	3,317,066
Less: allowance for ECL		(8,474,879)	(2,680,505)
		<u>67,095,714</u>	<u>82,601,322</u>

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**9 PROPERTY AND EQUIPMENT, NET**

	Leasehold improvements	Office furniture and equipment	Fixture and fittings	Computer hardware	Motor vehicles	Capital work-in- progress	Total
<b>Cost:</b>							
At the beginning of the year	6,777,355	2,612,176	498,423	1,675,784	501,850	563,745	12,629,333
Additions during the year	702,646	202,915	5,500	94,074	-	135,000	1,140,135
Disposal / transfer	-	(370,279)	-	(357,684)	-	(98,745)	(826,708)
At the end of the year	7,480,001	2,444,812	503,923	1,412,174	501,850	600,000	12,942,760
<b>Accumulated depreciation:</b>							
At the beginning of the year	3,772,959	1,719,290	439,921	1,074,471	501,850	-	7,508,491
Charge for the year	1,245,671	506,699	23,695	204,477	-	-	1,980,542
Disposal / transfer	-	-	-	(357,684)	-	-	(357,684)
At the end of the year	5,018,630	2,225,989	463,616	921,264	501,850	-	9,131,349
<b>Net book value</b>							
As at 31 December 2021	2,461,371	218,823	40,307	490,910	-	600,000	3,811,411
	Leasehold improvements	Office furniture and equipment	Fixture and fittings	Computer hardware	Motor vehicles	Capital work-in- progress	Total
<b>Cost:</b>							
At the beginning of the year	6,777,355	2,524,813	460,768	1,238,881	501,850	--	11,503,667
Additions during the year	--	87,363	37,655	436,903	--	563,745	1,125,666
At the end of the year	6,777,355	2,612,176	498,423	1,675,784	501,850	563,745	12,629,333
<b>Accumulated depreciation:</b>							
At the beginning of the year	2,347,865	1,349,706	418,063	902,269	410,541	--	5,428,444
Charge for the year	1,425,094	369,584	21,858	172,202	91,309	--	2,080,047
At the end of the year	3,772,959	1,719,290	439,921	1,074,471	501,850	--	7,508,491
<b>Net book value</b>							
As at 31 December 2020	3,004,396	892,886	58,502	601,313	--	563,745	5,120,842

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**10 INTANGIBLE ASSETS, NET**

	<b>31 December 2021</b>	31 December 2020
Cost:		
At the beginning of the year	9,218,063	9,218,063
Additions during the year	<u>196,565</u>	<u>--</u>
At the end of the year	9,414,628	9,218,063
Accumulated amortisation:		
At the beginning of the year	7,716,518	6,626,478
Charge for the year	<u>685,715</u>	<u>1,090,040</u>
At the end of the year	8,402,233	7,716,518
<b>Net book value as at 31 December</b>	<b><u>1,012,395</u></b>	<b><u>1,501,545</u></b>

Intangible assets represent cost of various software used by the Company for the purpose of accounting and record keeping of the various revenue streams that encompass the Company's business activities.

**11 RIGHT-OF-USE-ASSETS**

	<b>31 December 2021</b>	31 December 2020
Cost:		
At the beginning of the year	8,434,331	--
Additions during the year	<u>--</u>	<u>8,434,331</u>
At the end of the year	8,434,331	8,434,331
Accumulated amortisation:		
At the beginning of the year	2,108,583	--
Charge for the year	<u>2,108,580</u>	<u>2,108,583</u>
At the end of the year	4,217,163	2,108,583
<b>Net book value as at 31 December</b>	<b><u>4,217,168</u></b>	<b><u>6,325,748</u></b>

11.1 Right-of-use assets balance include asset recognized upon adoption of IFRS 16 Leases. The movement of corresponding lease liability is as follows:

Movement in lease liability:

	<b>31 December 2021</b>	31 December 2020
Lease liability at the beginning of the year	6,516,041	--
Additions during the year	--	8,434,331
Payment during the year	<u>(2,248,350)</u>	<u>(2,154,600)</u>
Finance cost on lease liability	151,752	236,310
<b>Lease liability at the end of the year</b>	<b><u>4,419,443</u></b>	<b><u>6,516,041</u></b>

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**12 SHORT-TERM MURABAHA FINANCING**

This represents murabaha financing obtained from Bank Albilad to finance the Company' margin customers.

During the year, the Company repaid the short-term murabaha amounting to SAR 30 million that carried special commission rate at SIBOR + agreed spread and the remaining is payable during the year 2022 with varying maturities. There were no covenants on the murabaha financings obtained from Bank Albilad.

	<i>Note</i>	<b>31 December 2021</b>	31 December <u>2020</u>
Opening balance		-	20,029,633
Receipts during the year	21.1	<b>230,000,000</b>	-
Repayments during the year	21.1	<b>(30,000,000)</b>	(20,000,000)
Repayments of profits during the year		<b>(736,176)</b>	(387,350)
Accrued profit for the year	21.1	<b>1,230,081</b>	357,717
Closing balance		<b><u>200,493,905</u></b>	<u>-</u>

Movement of special commission expense on short-term murabaha financing is as follows:

	<i>Note</i>	<b>31 December 2021</b>	31 December <u>2020</u>
Opening balance		-	29,633
Special commission charged during the year	21.1	<b>1,230,081</b>	357,717
Repayments during the year		<b>(736,176)</b>	(387,350)
Closing balance		<b><u>493,905</u></b>	<u>-</u>

**13 ACCRUALS AND OTHER LIABILITIES**

	<i>Note</i>	<b>31 December 2021</b>	31 December <u>2020</u>
Due to Bank Albilad	13.1, 21.2	<b>136,151,065</b>	134,168,565
Employee accrued benefits		<b>34,409,860</b>	20,231,689
Contracts accruals		<b>9,645,588</b>	7,707,458
Legal provision	13.2	<b>6,203,740</b>	6,918,174
Others		<b>10,720,890</b>	7,604,365
		<b><u>197,131,143</u></b>	<u>176,630,251</u>

13.1 Payable to Bank Albilad is in respect of expenses paid by Bank Albilad on behalf of the Company. This balance carries no special commission and has no fixed maturity date.

13.2 Movement of legal provision is as follows:

	<b>31 December 2021</b>	31 December <u>2020</u>
Opening balance	<b>6,918,174</b>	6,918,174
Charge during the year	--	--
Payment during the year	<b>(714,434)</b>	--
Closing balance	<b><u>6,203,740</u></b>	<u>6,918,174</u>

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**14 ZAKAT PAYABLE**

Effective 1 January 2009, Bank Albilad has started to submit zakat return based on its consolidated financial statements (including the Company) and settle zakat liability accordingly. The Company's share of the zakat liability for the year ended 31 December 2021 amounting to SAR 11.95 million (2020: SAR 8.45 million) has been charged to statement of income. In prior years, the Company received final zakat assessments from the ZATCA in respect of all years up to 2008.

	<b>31 December 2021</b>	31 December 2020
Opening balance	8,455,357	8,861,425
Charge for the year	11,953,956	8,455,357
Payment during the year	<u>(8,455,357)</u>	<u>(8,861,425)</u>
Closing balance	<u>11,953,956</u>	<u>8,455,357</u>

**15 EMPLOYEES' END OF SERVICE BENEFITS (EOSB)**

	<b>31 December 2021</b>	31 December 2020
Opening balance	11,889,012	9,278,105
<u>Charge for the year:</u>		
• Amount recognised in statement of income	2,527,284	2,103,876
• Amount recognised in other comprehensive income	349,071	916,433
Payments during the year	<u>(679,937)</u>	<u>(409,402)</u>
Closing balance	<u>14,085,430</u>	<u>11,889,012</u>

The amounts recognised in the statement of financial position and the movements in the end of service obligation over the year are as follows:

	<b>31 December 2021</b>	31 December 2020
Balance at the beginning of the year	11,889,012	9,278,105
Current service cost	2,283,599	1,885,912
Interest expense	243,685	217,964
Re-measurements due to actuarial loss	349,071	916,433
Benefits paid	<u>(679,937)</u>	<u>(409,402)</u>
Balance at the end of the year	<u>14,085,430</u>	<u>11,889,012</u>

**15.1 Key actuarial assumptions**

	<b>31 December 2021</b>	31 December 2020
<b>End of service benefits:</b>		
Discount rate	2.35%	2.11%
Salary growth rate	7.20%	4.11%
Weighted average duration of liability (in years)	6.31	6.39



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**15 EMPLOYEES' END OF SERVICE BENEFITS (EOSB) (CONTINUED)**

**15.2 Sensitivity analysis for actuarial assumptions**

31 December 2021	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	3.35%	1.35%	(834,350)	939,825
Salary growth rate	8.20%	6.20%	996,742	(901,082)

  

31 December 2020	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	3.11%	1.11%	(713,248)	805,120
Salary growth rate	5.11%	3.11%	854,376	(770,829)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method used for calculating the employees' EOSB (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied.

**15.3 Expected maturity**

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

	<u>Less than a year</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
31 December 2021	2,139,811	1,591,677	3,861,861	8,900,618	16,493,967
31 December 2020	1,804,869	1,340,974	3,307,850	7,261,305	13,714,998

**16 SHARE CAPITAL**

The authorized and paid-up share capital of the Company as at 31 December comprise of 200,000 shares at a nominal value of SAR 1,000 per share. Bank Albilad has a 100% direct ownership interest in the Company.

The Company's ownership structure is set out below:

Shareholder	Country of origin		31 December 2021	31 December 2020
		Number of shares	200,000	200,000
Bank Albilad	Saudi Arabia	Share capital (SAR)	200,000,000	200,000,000

**17 STATUTORY RESERVE**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, a minimum of 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. This reserve is not available for distribution to the shareholder of the Company.

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**18 CONTINGENCIES AND COMMITMENTS**

Bank Albilad has issued, on the Company's behalf, letter of guarantee amounting to SAR 100 million (2020: SAR 100 million), in favour of the Saudi stock exchange which is outstanding at the reporting date.

There are certain pending legal cases which are in the ordinary course of business and the impact is not material to the financial statements.

**19 DIVIDEND INCOME**

This dividend income represents dividends from equity shares portfolio and mutual funds.

**20 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Note</i>	<b>31 December 2021</b>	31 December 2020
Custody expense		6,662,652	4,638,943
Subscription for services		4,967,816	3,775,810
Depreciation	9,11	4,089,122	4,188,630
Legal and consultation		2,534,555	2,486,891
Outsourcing services fees	21.1	2,500,000	2,500,000
Incentive expenses		2,093,600	814,013
Board of Directors expenses		1,744,500	1,887,000
Premises expenses		1,147,682	1,044,159
Communication expenses		885,757	803,647
Software license maintenance fees		822,179	999,876
Advertisement and marketing		805,704	1,418,395
Amortisation	10	685,715	1,090,040
Others		1,860,812	1,695,225
		<b>30,800,094</b>	<b>27,342,629</b>

**21 RELATED PARTY TRANSACTIONS AND BALANCES**

In the ordinary course of business, the Company transacts with its related parties. The principal related parties of the Company are Bank Albilad, investment funds managed by the Company, Board of Directors and companies owned by members of the Board of Directors and key management personnel. The details of transactions during the year ended 31 December 2021 and balances as at 31 December 2021 resulting from such transactions are as follows:

	<i>Note</i>	<b>31 December 2021</b>	31 December 2020
<b>A) Bank Albilad - Parent Company:</b>			
Short-term murabaha financing	12	230,000,000	-
Repayment of short-term murabaha financing	12	(30,000,000)	(20,000,000)
Advisory services		3,905,833	337,500
Outsourced services at a fixed annual fee	20	2,500,000	2,500,000
Asset management income		2,118,750	644,698
Special commission expenses on short-term murabaha financing	12	1,230,081	357,717
Premises related expenses		433,662	433,662
Custody revenue from sukuk		172,500	120,000
Letter of guarantee commission expense		137,500	137,500
Income from murabaha deposits with banks		92,090	300,934

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**21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**21.1 Related party transactions**

	<u>Note</u>	<b>31 December 2021</b>	31 December <u>2020</u>
<b><u>B) Investment funds:</u></b>			
Asset management services income from private funds		33,456,276	32,399,348
Subscription fee from private funds		3,506,145	-
Dividends from private funds		1,316,174	-
Loan to private funds		(12,167,131)	(2,507,004)
Asset management services income from public funds		20,675,291	15,448,296
Subscription fee from public funds		509,384	301,621
Dividends from public funds		131,633	114,330
Investment in Albilad UK Income Opportunities Ltd		23,934,084	-
Subscription and structuring fee from international real estate		8,146,429	-
Investment advisory fee from international real estate		1,559,255	-
Structuring fee from local real estate		11,657,104	-
<b><u>C) Board of Directors and companies owned by Directors / direct relations</u></b>			
Receivable against margin lending		68,947,432	11,442,703
Board of Directors' remunerations		1,484,500	1,887,000
Receivable against margin lending income		2,142,089	1,411,986
Brokerage commission income		373,943	34,562
Early settlement of Directors' receivable from Tadawul		12,826,093	5,730,755
Rent and premises		2,248,350	2,154,600
<b><u>D) Key management personnel:</u></b>			
key management personnel compensation	21.2.1	15,704,956	13,796,534

**21.2 Related party balances**

	<u>Note</u>	<b>31 December 2021</b>	31 December <u>2020</u>
<b><u>a) Bank Albilad – Parent Company:</u></b>			
Bank balances	4	64,222,646	35,460,104
Short-term murabaha financing	12	(200,000,000)	-
Payable to the Bank Albilad	21.2.2, 13	(136,151,065)	(134,168,565)
Accrued special commissions expenses on short term murabaha financing	12	(493,905)	-
Outstanding letter of guarantee issued on behalf of the Company	18	(100,000,000)	(100,000,000)
Outstanding management fees		1,481,380	74,916
Advisory service fees		-	64,688
<b><u>B) Investment funds:</u></b>			
Management fee receivable	8	52,983,350	51,642,421
Outstanding loan from private funds	8	5,151,610	17,318,741
Investments held at FVSI		380,166,033	307,873,218
<b><u>C) Board of Directors and companies owned by Directors</u></b>			
Receivable against margin lending outstanding		99,666,469	30,719,036
Receivable against margin lending income receivable		2,086,982	1,184,063
Board of Directors' remunerations		(1,645,500)	(1,726,500)
<b><u>D) Key management personnel:</u></b>			
key management personnel compensation		(3,409,812)	(1,748,574)

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**21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**21.2 Related party balances (continued)**

- 21.2.1 Key management personnel are those persons, including five C-level (or equivalent) executives, having authority and responsibility for planning, directing and controlling the activities at the Company level.
- 21.2.2 Payable to Bank Albilad is in respect of expenses paid by Bank Albilad on behalf of the Company. This balance carries no commission and has no fixed maturity date.

**22 FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value commission rate risk), credit risk, liquidity risk and operational risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the statement of financial position include cash and bank balances, investments held at FVSI, investments held at amortised cost, receivable against margin lending, other assets, short-term murabaha financing, accruals and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are off-set and net amounts are reported in the financial statements, when the Company has a legally enforceable right to off-set the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Risk management responsibilities are held as follows:

*Business Unit Management:* Primarily responsible for risk management. The process of assessing, evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business. This process includes implementing the Company's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Company.

*Risk Function:* Primarily accountable for risk management reporting, providing oversight and independent reporting to management and the Board.

*Internal Audit Function:* Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Company's Audit Committee.

*Compliance and AML Function:* Responsible for monitoring and assessment of business compliance with CMA Prudential Rules, including Anti Money Laundering & Counter terrorist financing regulations.

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

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**22 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**22.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices / commission rates.

- a) **Currency risk** is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals. Transactions in other foreign currencies are not material.
- b) **Price risk** is the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than as a result of foreign currency and commission rate movements), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

*Exposure*

The Company is exposed to price risk with respect to its investments in equity shares and mutual fund units classified as FVSI respectively. During the year, the Company has disposed-off its investments in equities shares.

- c) **Cash flow and fair value commission rate risk** is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

*Exposure*

The Company's commission rate risks arise mainly from its bank balances, receivable against margin lending and short-term murabaha financing. The Company on a regular basis monitors changes in the commission rates and acts accordingly. The Company's receivable from receivable against margin lending includes only fixed commission rate instruments.

The Company's fixed rate receivables (all murabaha contracts and fixed rate receivable against margin lending contracts) are carried at amortised cost and are therefore not subject to commission rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market commission rates. The difference of 100 basis points in SIBOR rate will not have a significant impact on the income from commission bearing financial instruments.

Commission rate risk	<u>Within 3 months</u>	<u>3-12 months</u>	<u>Over 1 year</u>	<u>Non commission bearing</u>	<u>Total</u>
<b>31 December 2021</b>					
<b>Assets</b>					
Cash and bank balances	179,192,093	-	-	35,000	179,227,093
Receivable against margin lending	75,805,414	406,907,876	-	-	482,713,290
Investments held at FVSI	-	-	-	384,829,911	384,829,911
Other assets	-	-	-	64,612,281	64,612,281
Investments held at amortised cost	-	-	83,654,200	-	83,654,200
<b>Total financial assets</b>	<b>254,997,507</b>	<b>406,907,876</b>	<b>83,654,200</b>	<b>449,477,192</b>	<b>1,195,036,775</b>
Commission rate risk	<u>Within 3 months</u>	<u>3-12 months</u>	<u>Over 1 year</u>	<u>Non commission bearing</u>	<u>Total</u>
Short-term murabaha financing	-	200,493,905	-	-	200,493,905
Accrued and other liabilities	-	-	-	197,131,143	197,131,143
<b>Total financial liabilities</b>	<b>-</b>	<b>200,493,905</b>	<b>-</b>	<b>197,131,143</b>	<b>397,625,048</b>
<b>Net</b>	<b>254,997,507</b>	<b>206,413,971</b>	<b>83,654,200</b>	<b>252,346,049</b>	<b>797,411,727</b>

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**22 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**22.1 Market risk (continued)**

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
31 December 2020					
Assets					
Cash and bank balances	325,360,813	-	-	10,000	325,370,813
Margin financing	62,058,794	53,217,875	-	-	115,276,669
Investments held at FVSI	-	-	-	307,873,218	307,873,218
Other assets	-	-	-	80,407,657	80,407,657
Investments held at amortised cost	-	-	30,661,273	-	30,661,273
Total financial assets	387,419,607	53,217,875	30,661,273	388,290,875	859,589,630
Accrued and other liabilities	-	-	-	176,630,251	176,630,251
Total financial liabilities	-	-	-	176,630,251	176,630,251
Net	387,419,607	53,217,875	30,661,273	211,660,624	682,959,379

**22.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

*Exposures*

The deposits are with Bank Albilad, which has investment grade rating and is a related party. The accrued income mainly relates to amounts due from asset management services and is settled within a short period. The receivables relate to receivable against margin lending trading portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the deposits and other assets.

**Credit quality analysis**

The following table sets out the credit quality analysis for financial assets:

31 December 2021	Investment grade	Unrated	Total
Cash and bank balances	179,227,093	-	179,227,093
Receivable against margin lending	-	482,713,290	482,713,290
Investments held at FVSI	-	384,829,911	384,829,911
Investment held at amortised cost	83,654,200	-	83,654,200
Other assets	-	64,612,281	64,612,281
Total	262,881,293	932,155,482	1,195,036,775
31 December 2020	Investment grade	Unrated	Total
Cash and bank balances	325,370,813	-	325,370,813
Receivable against margin lending	-	115,276,669	115,276,669
Investments held at FVSI	-	307,873,218	307,873,218
Investment held at amortised cost	30,661,273	-	30,661,273
Other assets	-	80,407,657	80,407,657
Total	356,032,086	503,557,544	859,589,630

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**22 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**22.2 Credit risk (continued)**

As at 31 December 2021, the impairment allowance for expected credit losses against financial assets is as follows:

	<b>31 December 2021</b>	31 December 2020
Opening balance	<b>2,828,827</b>	1,228,724
Charge for the year	<b>5,730,637</b>	1,600,103
Closing balance	<b><u>8,559,464</u></b>	<u>2,828,827</u>

At 31 December 2021, the credit risk exposure for receivable against receivable against margin lending by geographic region is as follows:

	<b>31 December <u>2021</u></b>	31 December <u>2020</u>
Saudi Arabia	<b>482,713,290</b>	115,276,669

At 31 December 2021, the credit risk exposure for receivables against receivable against margin lending by type of customer is as follows:

	<b>31 December <u>2021</u></b>	31 December <u>2020</u>
Corporate customers	<b>25,045,139</b>	-
Retail customers	<b>457,668,151</b>	115,276,669
	<b><u>482,713,290</u></b>	<u>115,276,669</u>

At 31 December 2021, the carrying amount of exposure to Company's most significant customer was SAR 162.4 million (31 December 2020: SAR 31.2 million).

**22.3 Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

- a. Day-to-day funding, managed by finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested
- b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- c. Managing the concentration and profile of debt maturities
- d. Liquidity management and asset and liability mismatching

The following analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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**22 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**22.3 Liquidity risk (continued)**

<b>31 December 2021</b>	<b>Less than 1 year</b>	<b>Total</b>
Accrued and other liabilities	<b>60,980,078</b>	<b>60,980,078</b>
Short term murabaha financing	<b>200,493,905</b>	<b>200,493,905</b>
	<b>261,473,983</b>	<b>261,473,983</b>
<b>31 December 2020</b>		
Accrued and other liabilities	42,461,686	42,461,686
	42,461,686	42,461,686

**22.4 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements. The Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels.

**23 CAPITAL RISK MANAGEMENT**

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to its shareholder by pricing services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirements and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy details, refer to note 23.1.

**23.1 Capital Adequacy**

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

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

	<b>31 December 2021 SAR'000s</b>	<b>31 December 2020 SAR'000s</b>
<b>Capital base:</b>		
Tier 1 capital	777,465	669,739
Tier 2 capital	--	--
<b>Total capital base</b>	<b>777,465</b>	<b>669,739</b>



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**23 CAPITAL RISK MANAGEMENT (CONTINUED)**

**23.1 Capital Adequacy (continued)**

	<b>31 December 2021</b>	31 December 2020
<b>Minimum capital requirement:</b>		
Market risk	<b>26,349</b>	13,490
Credit risk	<b>281,431</b>	239,400
Operational risk	<b>29,963</b>	26,350
<b>Total minimum capital required</b>	<b>337,743</b>	279,240
 <b>Capital adequacy ratio:</b>		
Total capital ratio (time)	<b>2.30</b>	2.40
Surplus in capital	<b>439,722</b>	390,499

Capital base of the Company comprise of:

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves and adjustments towards intangible asset and remeasurement reserve for employee's EOSB as per Article 4 of the Rules.
- There is no Tier-2 capital for the year ended 31 December 2021.

The Minimum Capital Requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules. The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website <http://www.Albilad-capital.com>, however, this information is not subject to review or audit by the external auditors of the Company.

**24 FAIR VALUE ESTIMATION**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted market 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).

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**24 FAIR VALUE ESTIMATION (CONTINUED)**

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The table below presents the financial assets and financial liabilities as at 31 December 2021 and 2020 based on the fair value hierarchy:

31 December 2021	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets not measured at fair value</b>					
Receivable against margin lending	482,713,290	-	-	482,713,290	482,713,290
Other assets	64,612,281	-	-	64,612,281	64,612,281
Investments held at amortised cost	83,654,200	-	62,958,529	21,250,000	84,208,529
<b>Financial assets measured at fair value</b>					
Investments held at FVSI	384,829,911	4,663,878	134,588,157	245,577,876	384,829,911
<b>Financial assets</b>	<b>1,015,809,682</b>	<b>4,663,878</b>	<b>197,546,686</b>	<b>814,153,447</b>	<b>1,016,364,011</b>
<b>Financial liabilities not measured at fair value</b>					
Short-term murabaha financing	200,493,905	-	-	200,493,905	200,493,905
Accrued and other liabilities	197,131,143	-	-	197,131,143	197,131,143
<b>Financial liabilities</b>	<b>397,625,048</b>	<b>-</b>	<b>-</b>	<b>397,625,048</b>	<b>397,625,048</b>

31 December 2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>Financial assets</b>					
<b>Financial assets not measured at fair value</b>					
Receivable against margin lending	115,276,669	-	-	115,276,669	115,276,669
Other assets	80,407,657	-	-	80,407,657	80,407,657
Investments held at amortised cost	30,661,273	-	18,630,038	12,250,000	30,880,038
<b>Financial assets measured at fair value</b>					
Investments held at FVSI	307,873,218	-	84,309,553	223,563,665	307,873,218
<b>Financial assets</b>	<b>534,218,817</b>	<b>-</b>	<b>102,939,591</b>	<b>431,497,991</b>	<b>534,437,582</b>
<b>Financial liabilities</b>					
<b>Financial liabilities not measured at fair value</b>					
Accrued and other current liabilities	176,630,251	-	-	176,630,251	176,630,251
<b>Financial liabilities</b>	<b>176,630,251</b>	<b>-</b>	<b>-</b>	<b>176,630,251</b>	<b>176,630,251</b>

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**24 FAIR VALUE ESTIMATION (CONTINUED)**

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2021 and 2020, there were no transfers between the fair value hierarchy levels.

The fair values of cash and bank balances, receivable against margin lending, other assets and investments held at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and/or due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities. Mutual fund investments at FVSI are classified under Level 2 & level 3, public funds under level 2 and private funds under Level 3. The valuations for mutual funds are generally derived from the net asset values ("NAV") of the funds.

**25 ASSETS UNDER MANAGEMENT AND CUSTODY**

Assets held in trust in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in the Company's financial statements. The assets under management ("AUMs") at the end of the year including private, public mutual funds and discretionary portfolios amounted to SAR 10.2 billion (2020: SAR 9.16 billion). In addition to this, an amount of SAR 1.93 billion (2020: SAR 2.07 billion) relates to client money arising from brokerage business held in a designated account in Bank Albilad. The assets under custody services at the end of the year amounted to SAR 151 billion (2020: SAR 135 billion).

**26 SUBSEQUENT EVENTS**

There were no subsequent events after the statement of financial position date which require adjustments to/or disclosure in the financial statements.

**27 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors of the Company on 14 Shaban 1443 corresponding to 16 March 2022.