RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditor's report to the shareholder of Riyad Capital

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Riyad Capital (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia, (the "Code") that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the board of directors and those charged with governance for the financial statements

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

In preparing the financial statements, the board of directors are 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 the board of directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process

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Independent auditor's report to the shareholder of Riyad Capital (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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License Number 471

29 Rajab 1444H
(20 February 2023)

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 SAR'000	2021 SAR'000
ASSETS			
Cash and cash equivalents	5	**358,489**	125,992
Deposit with Muqassa	4	**115,420**	-
Time deposit	6	**100,000**	146,218
Accrued income	7	**227,513**	170,030
Margin lending	8	**245,149**	397,358
Prepayments and other assets	9	**226,335**	259,722
Investments carried at Fair value through statement of income (FVSI)	10	**1,363,258**	1,176,774
Investments carried at Fair value through other comprehensive income (FVOCI)	11	**113,435**	113,090
Investments carried at amortized cost	12	**83,000**	64,000
Right-of-use assets	13	**8,979**	3,372
Property and equipment	14	**6,740**	10,650
Intangibles	15	**10,084**	9,935
TOTAL ASSETS		**2,858,402**	2,477,141
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Short term borrowing	16	**258,878**	412,565
Accrued expenses and other liabilities	17	**190,652**	192,048
Accrued Zakat	18	**52,338**	39,182
Lease liabilities	13	**8,421**	2,662
Employees' end of service benefits (EOSB)	25	**50,436**	56,504
TOTAL LIABILITIES		**560,725**	702,961
SHAREHOLDER'S EQUITY			
Share capital	19	**500,000**	500,000
Statutory reserve	20	**150,000**	150,000
Retained earnings		**1,644,983**	1,131,898
Fair value reserve – investment carried at FVOCI	11	**6,036**	5,691
Re-measurement reserve of employees' EOSB		**(3,342)**	(13,409)
TOTAL SHAREHOLDER'S EQUITY		**2,297,677**	1,774,180
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,858,402**	2,477,141

Chairman   CEO   CFO

The accompanying notes (1) to (30) form an integral part of these financial statements

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 SAR'000	2021 SAR'000
INCOME			
Asset management fee, net		487,921	468,813
Commission on brokerage services, net	21	153,286	227,051
Corporate investment banking fees, net		78,012	59,090
Securities services and Custody fee, net		23,550	14,313
Income from investments carried at FVSI		34,247	11,350
Special commission income on deposits		7,493	2,297
Dividend income		15,256	7,549
Other income		1,477	397
TOTAL INCOME		801,242	790,860
EXPENSES			
Salaries and employees' related benefits		208,574	217,137
Other general and administrative expenses	22	66,427	48,514
TOTAL EXPENSES		275,001	265,651
INCOME BEFORE ZAKAT		526,241	525,209
Zakat	18	13,156	13,130
NET INCOME FOR THE YEAR		513,085	512,079

Chairman CEO CFO

The accompanying notes (1) to (30) form an integral part of these financial statements

	Note	2022 SAR'000	2021 SAR'000
NET INCOME FOR THE YEAR		**513,085**	512,079
ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEARS:			
- Net change in fair value of equity Investments carried at FVOCI	11	**345**	15,500
- Remeasurement gain / (loss) on EOSB	25	**10,067**	(4,349)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**10,412**	11,151
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**523,497**	523,230

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2022, AND 2021

	Capital SAR'000	Statutory Reserve SAR'000	Retained earnings SAR'000	Fair value reserve SAR'000	Remeasurement reserve of employee 'EOSB SAR'000	Total SAR'000
Balance at 1 January 2021	500,000	136,069	933,750	(9,809)	(9,060)	1,550,950
Net income for the year	-	-	512,079	-	-	512,079
Net changes in fair value of equity investments carried at FVOCI	-	-	-	15,500	-	15,500
Remeasurement loss on EOSB (Note 25)	-	-	-	-	(4,349)	(4,349)
Total comprehensive income for the year	-	-	512,079	15,500	(4,349)	523,230
Dividend payment (Note 28)	-	-	(300,000)	-	-	(300,000)
Transfer to statutory reserve	-	13,931	(13,931)	-	-	-
Balance as at 31 December 2021	500,000	150,000	1,131,898	5,691	(13,409)	1,774,180
Balance at 1 January 2022	**500,000**	**150,000**	**1,131,898**	**5,691**	**(13,409)**	**1,774,180**
Net income for the year	-	-	513,085	-	-	513,085
Net changes in fair value of equity investments carried at FVOCI	-	-	-	345	-	345
Remeasurement gain on EOSB (Note 25)	-	-	-		10,067	10,067
Total comprehensive income for the year	-	-	**513,085**	**345**	**10,067**	**523,497**
Balance as at 31 December 2022	**500,000**	**150,000**	**1,644,983**	**6,036**	**(3,342)**	**2,297,677**

The accompanying notes (1) to (30) form an integral part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR'000	2021 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before zakat		**526,241**	525,209
Adjustments for:			
Unrealized gain from investments carried at FVSI		**(22,674)**	(11,350)
Depreciation of property and equipment	14	**1,393**	1,267
Amortization of intangibles	15	**5,002**	4,035
Depreciation of right-of-use assets	13	**6,235**	5,780
Finance cost	26	**11,037**	3,885
Provision for EOSB	25	**8,817**	7,304
Expected credit loss on margin lending		**5,380**	-
		541,431	536,130
Changes in operating assets and liabilities			
Deposit with Muqassa		**(115,420)**	-
Prepayments and other assets		**33,387**	(239,894)
Margin lending		**146,829**	(330,619)
Accrued income		**(57,483)**	1,163
Accrued expenses and other current liabilities		**(1,396)**	61,691
Purchase of investments carried at FVSI		**(1,231,576)**	(961,282)
Proceeds from sale of investments carried at FVSI		**1,067,766**	896,990
		383,538	(35,821)
EOSB transferred by parent company		**-**	319
EOSB paid	25	**(4,818)**	(2,582)
Finance cost paid		**(5,056)**	-
Net cash generated from / (used in) operating activities		**373,664**	(38,084)
CASH FLOW FROM INVESTING ACTIVITIES			
Time deposit		**46,218**	(146,218)
Purchase of investments carried at amortized cost		**(19,000)**	(62,000)
Purchase of property and equipment		**(1,319)**	(5,287)
Additions to intangibles		**(1,315)**	(1,167)
Net cash generated from / (used in) investing activities		**24,584**	(214,672)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term borrowing		**(159,565)**	352,474
Lease payments		**(6,186)**	(6,326)
Dividend		**-**	(300,000)
Net cash (used in) / generated from financing activities		**(165,751)**	46,148
Net increase / (decrease) in cash and cash equivalents		**232,497**	(206,608)
Cash and cash equivalents at the start of the year	5	**125,992**	332,600
Cash and cash equivalents at the end of the year	5	**358,489**	125,992
Supplemental non-cash information			
Net changes in equity investments carried at FVOCI		**345**	15,500
Transferred to property and equipment (Note 14)		**(3,836)**	(566)
Remeasurement gain /(loss) on EOSB		**10,067**	(4,349)
Additions to right of use of assets		**11,842**	-

The accompanying notes (1) to (30) form an integral part of these financial statements

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Riyad Capital ("the Company") is a Sole Shareholder Closed Joint Stock Company established and registered in Riyadh, the Kingdom of Saudi Arabia under commercial registration No. 1010239234, dated 12 Shawwal 1428H (corresponding to 24 October 2007).

The Company prior to its registration as a Closed Joint Stock Company ("CJSC") was operating as a Limited Liability Company. The Company obtained its commercial registration as CJSC effective 2nd Jumada Al Thani 1438H (corresponding to 28 February 2017).

The principal activities of the Company are dealing as a principal and agent, underwriting, management of investment funds and clients' portfolios, arranging, providing advisory and custody services as per license of the Capital Market Authority ("CMA") number 07070-37, dated 4 Jumad Thani 1428H (corresponding to 19 June 2007).

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

Riyad Capital
Al Shuhada District, Eastern Ring Road
Riyadh 13241, P.O 2414

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountant ("SOCPA").

The financial statements have been prepared on a historical cost convention, except for Investments measured at fair value through income statement ("FVSI"), investments measured at fair value through other comprehensive income ("FVOCI") and Employees' end of service benefits that is recognised at the present value of future obligations using the Projected Unit Credit Method.

The assets and liabilities of the Company are presented in the order of liquidity in the statements of financial position.
The following balances would generally be classified as non-current assets and liabilities: investment carried at amortized cost, right to use assets, property and equipment, intangibles, lease liabilities due more than one year and employees' end of service benefits. All other balances are classified as current.

The accounting policies used in the preparation of these financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Except for the adoption to new standards, amendment to standards and interpretation in note 3.

2.2 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are carried using the currency of the primary economic environment in which the Company operates (the "functional currency") and presented in Saudi Arabian Riyals ("SAR") which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

Transactions and balances

Foreign currency transactions, if any, are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.
- Impairment of financial assets (Note 2.5.2)
- Valuation of employee service benefits (2.7)

However, these estimates are not considered as significant accounting estimates.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

2.5 Financial instruments

2.5.1 Classification and measurement of financial assets

2.5.1.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company records financial instruments 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. For financial assets or financial liabilities held at fair value through statement of income, the transaction costs are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for debt financial assets measured at amortized cost, which results in an ECL charge being recognized in the statement of income.

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortized cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through statement of income ("FVSI")

<u>Debt instruments</u>

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 contractual cash flow characteristics of the asset.

Business model: 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

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.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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.

SPPP: 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 profit (the "SPPP" test). 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 SPPP test does not pass, and the related financial asset is classified and measured at FVSI.

The SPPP assessment is performed on initial recognition of an asset, and it is not subsequently reassessed.

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

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured as described in Note 2.5.2. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through statement of income ("FVSI"): If debt instrument's cash flows do not represent solely SPPP or if it is 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 investment measured at FVSI, where cashflows do not represents solely SPPP, is recognized in the statement of income, within "Net gain/(loss) on investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value, or which are held for trading are presented separately from debt investments that are mandatorily measured at FVSI, within "Net gain/ (loss) in investments designated at FVSI or held for trading".

Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the debt financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the year.

Currently bank balances, margin lending financing receivables and other receivables are classified as held at amortized cost. There are no debts securities classified as FVSI.

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 recognized in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. On disposal, fair value gains/losses are transferred directly from fair value reserve to retained earnings. 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 recognized in the statement of income when the Company's right to receive payments is established.

The Company has irrevocably elected/designated investment in quoted units of a mutual fund in the real estate sector which is held as FVOCI.

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost. The Company recognizes 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.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
(vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED*)*

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Stage 1: (Initial recognition) 12-month expected credit losses

Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses

Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include bank balances, margin lending and other receivables.

The impact of ECL on the financial assets of the Company other than margin lending financing from customers is immaterial.

For ECL on margin lending please refer Note 2.5.2.3.

For ECL measurement on other receivables please refer Note 2.5.2.3.

The Company considers that the remaining financial assets are immaterial and have low credit

2.5.2.1 STAGES OF IMPAIRMENT UNDER IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses ("ECL") where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of special commission income.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall, the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company i.e., have defaulted or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers "Default" event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

2.5.2.2 TRANSFER CRITERIA

Margin lending

The transfer criteria are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criteria is modified accordingly to reflect the appropriate credit risk in each of the stages.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED*)*

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

2.5.2.2 TRANSFER CRITERIA (CONTINUED)

Stage 1 to Stage 2

- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client breaches 130% and subsequently margin is called, the asset would be migrated to Stage 2.

Stage 2 to Stage 3

- For an asset in Stage 2, if the client's collateralization level falls below 130%, the client shall be considered credit impaired, and the asset would be moved to Stage 3.

Advances and other receivables

Stage 1 to Stage2

- If the advances and other receivables is more than 30 days past due.

Stage 2 to Stage 3

- If the advances and other receivables is more than 90 days past due.

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT

Margin lending

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.5.2.1.

Significant increase in credit risk:

A decrease in collateral percentage below 130% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

For the purpose of default rate calculation, the Company has used the liquidation events as trigger for defaults. The default rate as at reporting date equals the number of accounts defaulting in the next 12 months from reporting date divided by the total number of performing accounts during the reporting month.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- 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 as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT (CONTINUED)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Given the nature and extent of the collateral held against the Company's margin financing exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin financing facilities should be at a minimum 130% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 130%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 130%. Hence, even though there might be small probability of default, the ECL would not be material, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at a minimum to 130%.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Other receivables

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.5.2.1.

Significant increase in credit risk:

For each exposure any increase in past due days from 30 days is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative - e.g., breaches of covenant,
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- 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 as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT (CONTINUED)

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering binomial distribution of total borrowers and total defaults.

The financial assets of the Company, which are subjected to ECL review include cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending and other receivables. Loss given default (LGD) is insignificant given the “insignificant risk of changes in value” criteria.

Immaterial ECL is concluded on these balances as a result of an insignificant PD and LGD.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

2.5.3 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.

2.5.4 FAIR VALUATION 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FINANCIAL INSTRUMENTS (CONTINUED)

2.5.5 DERECOGNITION OF FINANCIAL INSTRUMENTS

A financial asset is derecognized, when the contractual rights to receive 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.

2.5.6 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 there is an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2. 6 IMPAIRMENTS OF NON-FINANCIAL ASSETS

Property and equipment and other 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 assets 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2.7 EMPLOYEES' END OF SERVICE BENEFITS

Post-employment defined benefit plans, end of service benefits plan, indemnity plans, and other long-term employee-related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. Management is required to make further assumptions regarding variables such as discount rates, rates of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Annually, management consults external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 8 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

2. 9 PROVISIONS

A provision is recognised when the Company has a present legal or constructive obligation 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 of the amount can be made. Provision is not recognised for future operating loss.

2. 10 ZAKAT

The zakat charge is computed based on the net income of the Company for the year before zakat charge. However, the Company does not file a separate Zakat to the Zakat, Tax and Customs Authority ("ZATCA ") as Riyad Bank (the "Parent") submits a consolidated / single Zakat return for the entire group based on its consolidated Zakat base and settles Zakat liability accordingly. The Company's Zakat liability is accordingly payable to the Parent and is limited to the amount of Zakat charged in these financial statements.

2. 11 INTANGIBLES

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of income in the expense category consistent with the function of the intangible asset.

The intangibles are amortised using the straight-line method over the estimated useful life of the assets as follow:

Intangibles	33.33%

2.12 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets as follows:

Equipment	3%
Hardware	20%
Furniture	10%
Lease hold improvement	3%

Capital work-in-progress is stated at cost and not depreciated. The capital work-in-progress is transferred to Property and equipment when the assets are ready for their intended use

2.13 ASSETS UNDER MANAGEMENT

The Company offers asset management services to its customers, which include management of certain mutual funds and Discretionary Portfolio Management ("DPM"). Such assets are held in a fiduciary capacity and are not treated as assets of the Company. Accordingly, these are not included in the financial statements and are treated as off-balance sheet items.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 MARGIN LENDING

Margin lending are recognized when cash is advanced to the borrowers. They are derecognized when either borrower repays their obligations, or the balance is sold or written-off, or substantially all the risks and rewards of ownership are transferred to other party. Margin lending are carried at amortized cost, less provision for expected credit losses, if any.

The liquidation criteria are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criterion is modified accordingly to reflect the appropriate credit risk of the stages

2.15 SHORT-TERM BORROWINGS

Short-term borrowings are initially recognized at fair value, net of transaction costs incurred. Short- term borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Short-term borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income as other income or finance costs.

Short-term borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 REVENUE

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue	The Company recognizes revenue as it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

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

- ***ASSET MANAGEMENT INCOME***

Fees and commissions are recognized when the service has been provided. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on asset management are recognized over the period when the service is provided. The fee is reduced by the management fee charged by the sub-fund manager from the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 REVENUE (CONTINUED)

- ***BROKERAGE COMMISSION INCOME***

Brokerage fees are recognized on accrual basis upon delivery of services to customers and are stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin lending is recognized on an accrual basis based on the effective rate of return during the contract period, reduced by the relevant finance cost charged by the bank on funds provided to finance the margin lending.

- ***CORPORATE INVESTMENT BANKING FEES***

Corporate banking services fees 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.

- ***SECURITIES SERVICES AND CUSTODY FEE***

Security services and custody fee are recognized on accrual basis upon execution of related deals and are stated in statement of income net of discounts, if any, based on agreed applicable service contracts

- ***DIVIDEND INCOME***

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

- ***SPECIAL COMMISSION INCOME***

Special commission income is recognized in the statement of income statement based on effective yield basis.

2.17 EXPENSES

All expenses, which are not directly attributable to the earning of income, are classified as other general and administrative expenses except for “Employees’ salaries and related benefits” which are showed separately.

2.18 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has recognized new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease year to produce a constant yearly rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

Low-value assets comprise small items relating to office equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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

3. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

3.1. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2021 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2022. The management has assessed that the below amendments have no significant impact on the financial statements.

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2022:

Standard / Amendments	Description
Amendments to IFRS 7, IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19 related Rent Concessions Extension
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Annual Improvements to IFRS	Improvements relating to: - IFRS 9 Financial Instruments - IFRS 16 Leases - IFRS 1 First-time Adoption of IFRS

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

Standards Issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

3. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

3.1. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

Standards Issued but not yet effective: (continued)

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	January 1, 2023

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

4. DEPOSIT WITH MUQASSA

This represents margin collateral deposited with Securities Clearing Centre Company (Muqassa) by Capital Market Institutions. Margin collateral is determined by Muqassa for Capital Market Institutions based on average portfolio balances by applying Standard Portfolio Analysis of Risk (SPAN) methodology.

5. CASH AND CASH EQUIVALENTS

	Note	**2022 SAR'000**	2021 SAR'000
Cash in hand		**100**	100
Cash at bank	*5.1*	**35,272**	60,892
Short term deposits	*5.2*	**323,117**	65,000
		358,489	125,992

5.1 This represents balances in current accounts with local banks.
5.2 This represents profit bearing short term deposits with original maturities of three months or less.

6. TIME DEPOSIT

	Note	**2022 SAR'000**	2021 SAR'000
Time deposit	*6.1*	**100,000**	146,218
		100,000	146,218

6.1 This represents profit bearing short term deposits with original maturities of more than three months.

7. ACCRUED INCOME

	2022 SAR'000	2021 SAR'000
Asset management fee	**202,556**	162,296
Securities services and custody fee	**5,118**	3,773
Corporate investment banking fee	**314**	1,072
Others	**19,525**	2,889
	227,513	170,030

There was no ECL recognized for the years ended 31 December 2022 and 31 December 2021 since the amount of impairment was immaterial.

8. MARGIN LENDING

The Company provides margin lending facilities to certain clients for dealing in the local stock market through the Company. Margin lending is collateralized by approved coverage of 130% of market value of the customer respective portfolio. The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its margin lending. The collateral is managed against relevant exposures at their net realizable values. ECL was recognized for the year ended 31 December 2022 amounting to SAR 5.38 million (2021: nil). Such impairment is included within Commission on brokerage services, net. Also refer note 21

9. PREPAYMENTS AND OTHER ASSETS

	2022 SAR'000	2021 SAR'000
Advances	**208,999**	246,718
Refundable deposits	**7,899**	7,884
Prepaid insurance expense	**365**	313
Other assets	**9,072**	4,807
	226,335	259,722

10. INVESTMENTS CARRIED AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)

	2022 SAR'000	2021 SAR'000
Public funds		
Investment Funds managed by Riyad Capital	**1,126,751**	988,951
Investment Funds - Others	**72,436**	64,356
	1,199,187	1,053,307
Private Funds		
Investment Funds managed by Riyad Capital	**149,071**	108,467
Investment Funds - Others	**15,000**	15,000
	164,071	123,467
Total Investments	**1,363,258**	1,176,774
Current FVSI	**1,315,663**	1,137,036
Non-Current FVSI	**47,595**	39,738
	1,363,258	1,176,774

11. INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2022 SAR'000	2021 SAR'000
Riyad REIT Fund – Managed by Riyad Capital	**113,435**	113,090

The cumulative unrealized gain is fair value of investment carried at FVOCI amounts to SAR 6,036 thousand (2021: SAR 5,691 thousand)

12. INVESTMENTS CARRIED AT AMORTIZED COST

	2022 SAR'000	2021 SAR'000
Investments carried at amortized cost	**83,000**	64,000

There was no ECL recognized for the years ended 31 December 2022 and 31 December 2021 since the amount of impairment was immaterial.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The movement in right-of-use assets during the year is as follows:

	2022 SAR'000	2021 SAR'000
Cost		
As at 31 December 2021	**17,820**	17,820
Additions	**11,842**	-
As at 31 December 2022	**29,662**	17,820
Accumulated Depreciation		
As at 31 December 2021	**14,448**	8,668
Charge for the year	**6,235**	5,780
As at 31 December 2022	**20,683**	14,448
Net Book Value	**8,979**	3,372

The maturity of lease liabilities at year-end is as follows:

	2022 SAR'000	2021 SAR'000
less than one year	**5,776**	2,662
one to three years	**2,645**	-
	8,421	2,662

The total finance cost on lease liabilities recognized during the year ended 31 December 2022 in amounted to SAR 103 thousand (31 December 2021: SAR 125 thousand).

14. PROPERTY AND EQUIPMENT

	Equipment and Hardware SAR'000	**Furniture SAR'000**	**Lease hold improvement SAR'000**	**Capital Work in Progress (CWIP) SAR'000**	**Total 2022 SAR'000**	Total 2021 SAR'000
Cost						
At the beginning of the year	1,890	1,160	4,387	5,494	**12,931**	7,644
Additions	104	509	190	516	**1,319**	5,287
Transfer from capital work-in-progress	-	-	-	(3,836)	**(3,836)**	-
Disposals and retirements	(14)	-	-	-	**(14)**	-
At the end of the year	**1,980**	**1,669**	**4,577**	**2,174**	**10,400**	12,931
Accumulated depreciation						
At the beginning of the year	459	495	1,327	-	**2,281**	1,014
Charge during the year	231	264	898	-	**1,393**	1,267
Disposals and retirements	(14)	-	-	-	**(14)**	-
At the end of the year	**676**	**759**	**2,225**	**-**	**3,660**	2,281
Net book value						
As at 31 December 2022	**1,304**	**908**	**2,347**	**2,174**	**6,740**	
As at 31 December 2021	1,431	665	3,060	5,494	10,650	

15. INTANGIBLES

	2022 **SAR'000**	2021 SAR'000
Cost		
As at 1 January	**21,712**	19,944
Additions	**1,315**	1,167
Transfer from capital work-in-progress	**3,836**	601
As at 31 December	**26,863**	21,712
Accumulated Depreciation		
As at 1 January	**11,777**	7,742
Charge for the year	**5,002**	4,035
As at 31 December	**16,779**	11,777
Net Book Value		
As at 31 December	**10,084**	9,935

16. SHORT TERM BORROWING

Short-term borrowing represents a commercial loan facility from a local bank to finance the margin lending activities. As at 31 December 2022, the amount of this facility utilized by the Company is 258,878 (31 December 2021: SAR 412,565).

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 **SAR'000**	2021 SAR'000
Accrued employees' related expenses	**123,388**	125,132
Accrued general and administrative expenses	**19,210**	33,785
Value added tax payable	**14,832**	12,786
Withholding tax payable	**1,266**	1,366
Other liabilities	**31,956**	18,979
	190,652	192,048

18. ACCRUED ZAKAT

The Company is not required to submit a separate Zakat return as the Parent submits a consolidated / single Zakat return for the entire Group based on its consolidated Zakat base and settles its Zakat liability accordingly. Accordingly, the Company is not required to make any payment to Zakat authorities. Zakat amount charged to these financial statements is payable to the Parent Company, who ultimately settles the Zakat liability on behalf of the Company.

The Company's share of Zakat for the year ended 31 December 2022 is SAR 13,156 (31 December 2021: SAR 13,130). This share is estimated based on zakat rate applied to the Company's income before Zakat for the year ended 31 December 2022.

19. SHARE CAPITAL

As at 31 December 2022 the Company's paid-up capital of SAR 500 million was divided into 50 million shares of SAR 10 each. The Company's share capital is wholly owned by Riyad Bank as of 31 December 2022 and 2021.

20. STATUTORY RESERVE

In accordance with the Company's By-Laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

21. COMMISSION ON BROKERAGE SERVICES, NET

The commission on brokerage is reported net of brokerage related expenses including finance cost on short term borrowings, cumulatively amounting to SAR 115,980 thousand for 2022 (2021: SAR 147,060 thousand). Finance cost on short term borrowings included above amounted to SAR 10,934 thousand for 2022. (2021: SAR 3,760 thousand),

22. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2022 SAR'000	2021 SAR'000
Repair and maintenance expense		**11,745**	10,742
Service charges	*24.3*	**23,737**	9,143
Communication charges		**4,577**	7,340
Depreciation of right-of-use assets	*13*	**6,235**	5,780
Depreciation of property, equipment & intangibles		**6,395**	5,302
Marketing expenses		**3,138**	2,430
Legal, professional and consultancy fees		**2,359**	1,940
Business Travel Expenses		**1,679**	527
Other expenses		**6,562**	5,310
		66,427	48,514

23. ASSETS HELD UNDER FIDUCIARY CAPACITY

Client funds are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Company's assets. These represent:

a) Investment assets managed by the Company amounting to SAR 82.1 billion as at 31 December 2022 (31 December 2021: SAR 91.1 billion); and
b) Clients' cash accounts amounting to SAR 6 billion as at 31 December 2022 (31 December 2021: SAR 9.3 billion).

24. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of the Parent, its subsidiaries and affiliates (board of directors of the Parent and their relatives), the investment funds managed by the Company and key management personnel. The transactions are carried out on mutually agreed terms approved by the management of the Company. Details of transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

a) *Transactions with the Parent Company, its subsidiaries and affiliates:*

	Note	**2022 SAR'000**	2021 SAR'000
Assets management Fees	*24.1*	**17,364**	3,871
Corporate investment banking fees	*24.2*	**2,831**	1,200
Service charges	*24.3*	**23,737**	9,143
Rent expenses		**6,338**	5,905
Finance cost on short term borrowings	*24.4*	**332**	192
Commission and fees		**15,570**	7,892
Employees post-employment benefits		**-**	319
Letter of guaranteed fees	*24.5*	**-**	1,084
Commission and fees paid or bank charges		**47**	2

24.1 This represents fees earned from managing the Parent and affiliates portfolios and providing advisory services.

24.2 This represents fees earned from advisory work performed by the Company mainly on factoring arrangements entered into by the Parent Company with the end-customer, as well as advising on debt issuance.

24.3 Service charges include the cost of IT support, banking services, marketing, human resources and other back-office expenses, which are performed by the Parent for the Company under a Service Level Agreement.

24.4 All the above transactions are settled through the bank account maintained with the Parent on yearly basis.

24.5 The Parent, as a settlement agent for the Company in 2021 issued a letter of guarantee to the Saudi Exchange (Tadawul) relating to the settlement of transactions processed through Riyad Capital at the request of the exchange. This letter of guarantee has no monetary ceiling and no definite term and cannot be cancelled without the prior consent of Tadawul.

b) *Transactions with the mutual funds managed by the Company:*

	2022 SAR'000	2021 SAR'000
Assets management fee, net	**383,276**	369,801
Dividend income	**11,379**	6,899
Unrealized gain on investments carried at FVOCI	**344**	15,499
Realized gain from sale of investments carried at FVSI	**9,064**	4,519
Unrealized gain on investments carried at FVSI	**22,374**	6,217

c) *Transactions with Board of Directors and key management personnel of the parent company and their affiliates:*

	2022 SAR'000	2021 SAR'000
Commission and fees	**1,301**	2,513

24. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

d) Transactions with Board of Directors and key management personnel of the Company and their affiliates:

	2022 SAR'000	2021 SAR'000
Commission and fees	**126**	48

e) Remuneration and compensation of BOD Members and key management personnel:

	2022 SAR'000	2021 SAR'000
BOD and Committee members	**1,411**	1,255
Key management personnel	**22,300**	17,665

25. EMPLOYEES' POST-EMPLOYMENT BENEFITS

	2022 SAR'000	2021 SAR'000
Present value of employees' post-employment benefits	**50,436**	56,504

25.1 Principal actuarial assumptions

The major financial assumptions used to calculate the employees' post-employment benefits liabilities are as follows:

	2022 SAR'000	2021 SAR'000
Discount rate	**5.38%**	2.72%
Salary increase rate	**4.00%**	4.00%

25.2 Movements in employees' post-employment benefits

The movements in employees' post-employment benefits recognized in the statement of financial position are as follows:

	2022 SAR'000	2021 SAR'000
Net liability at the beginning of the year	**56,504**	47,114
Current service cost	**7,229**	6,227
Interest cost	**1,588**	1,077
Benefits paid during the year	**(4,818)**	(2,582)
Remeasurement(gain)/ loss on employees' post-employment benefits	**(10,067)**	4,349
Transfer from parent company	**-**	319
Net liability at the end of the year	**50,436**	56,504

25.3 Amounts recognized in the statement of income

	2022 SAR'000	2021 SAR'000
Employer's current service	**7,229**	6,227
Interest cost	**1,588**	1,077
	8,817	7,304

25. EMPLOYEES' POST-EMPLOYMENT BENEFITS (CONTINUED)

25.4 Sensitivity analysis for significant actuarial assumptions

The sensitivity of the employees' post-employment benefit to changes in the principal assumptions is:

	Change in assumption	Increase / (decrease) in present value of employees' post-employment benefit liability	
		Amount SAR'000	%
Discount rate	+0.5%	**(1,551)**	-3.08%
	-0.5%	**2,032**	4.03%
Salary growth rate	+0.5%	**2,048**	4.06%
	-0.5%	**(1,585)**	-3.14%

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 Employees' post-employment benefits to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting year) has been applied when calculating the employee benefits obligations.

26. FINANCE COST

	Note	**2022 SAR'000**	2021 SAR'000
Finance cost on short-term borrowings	26.1	**10,934**	3,760
Interest expense on lease liabilities	*13*	**103**	125
		11,037	3,885

26.1 Finance cost on short term borrowing is included within Commission on brokerage services, net. Refer note 21.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

27.1 Financial risk factors

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk and equity risk), credit risk, liquidity risk and operational risk. The Company ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the statement of financial position include cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending, investments carried at FVSI, investments carried at FVOCI, investments carried at amortised cost, other receivables, short term borrowings, lease liability and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The financial instruments of the Company are denominated in SAR. The Company's transactions are principally in SAR and exposures in foreign currencies are not significant.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.1 Financial risk factors (continued)

(ii) *Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Company does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

The Company's fixed rate financial instruments are carried at amortized cost and therefore not subject to fair value 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.

(iii) *Price Risk*

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

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds. The Company diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Company has equity investments in Investee funds.

	2022 SAR'000		2021 SAR'000	
	Potential reasonable change %	**Effect on equity**	Potential reasonable change %	Effect on equity
Investment funds – managed by Riyad Capital	±5%	**63,791**	±5%	54,871
	±10%	**127,582**	±10%	109,742
Investment funds – others	±5%	**4,372**	±5%	3,968
	±10%	**8,744**	±10%	7,936
Riyad REIT Fund	±5%	**5,672**	±5%	5,655
	±10%	**11,344**	±10%	11,309

(a) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk for Cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending and investment carried at amortised cost and other receivables as follows:

	2022 SAR'000	2021 SAR'000
Cash at bank	**35,272**	60,892
Short term deposits	**323,117**	65,000
Deposit with Muqassa	**115,420**	-
Time Deposit	**100,000**	146,218
Accrued income	**227,513**	170,030
Margin lending	**245,149**	397,358
Investments carried at amortized cost	**83,000**	64,000
Other assets	**216,898**	254,602

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.1 Financial risk factors (continued)

(a) Credit risk

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on cash and cash equivalents, deposit with Muqassa, time deposit, margin lending, accrued income, investments carried at amortised cost and other receivables is limited as:

Cash balances included short term deposits are held with banks with investment grade credit ratings. Company's policy is to enter into financial instrument contracts with reputable counterparties. The Company seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The receivable against margin lending has 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 financial assets.

The Company applies the IFRS 9 to measuring expected credit losses for all financial assets. The Company did not recognize ECL on cash and cash equivalents, deposit with Muqassa, time deposit, margin lending, accrued income, investments carried at amortised cost and other receivables, because the amount was immaterial.

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Financial assets of the Company as at year-end mainly included balances with bank, deposits, accrued income, margin lending and investments measured at FVSI and investments measured at FVOCI for long term which can be utilized to meet changing liquidity requirements. Management monitors forecasted cash flow on a regular basis and ensures that positive cash flows from operating activities are maintained to fund the Company's future commitments.

Maturity Profiles

The table below summarizes the maturity profile of significant financial assets and liabilities of the Company based on expected maturities. The table below is based on discounted values. There is no significant impact of undiscounted cash flows of liabilities:

	2022 SAR'000			
	No fixed maturity	**Less than 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	-	358,489	-	358,489
Deposit with Muqassa	-	115,420	-	115,420
Time Deposit	-	100,000	-	100,000
Accrued income	-	227,513	-	227,513
Margin lending	-	245,149	-	245,149
Prepayments and other assets	-	216,898	-	216,898
Investments carried at FVSI	-	1,315,663	47,595	1,363,258
Investments carried at FVOCI	113,435	-	-	113,435
Investments carried at amortized cost	83,000	-	-	83,000
TOTAL ASSETS	196,435	2,579,132	47,595	2,823,162
LIABILITIES				
Short term borrowing	-	258,878	-	258,878
Accrued expenses and other current liabilities	-	174,554	-	174,554
Lease Liabilities	-	5,776	2,645	8,421
TOTAL LIABILITIES	-	439,208	2,645	441,853

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.1 Financial risk factors (continued)

Maturity Profiles

	2022 SAR'000			
	No fixed maturity	**Less than 1 year**	**More than 1 year**	**Total**
Maturity gap	**196,435**	**2,139,924**	**44,950**	**2,381,309**
Cumulative maturity gap	**196,435**	**2,336,359**	**2,381,309**	**4,762,618**

	2021 SAR'000			
	No fixed maturity	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	-	125,992	-	125,992
Time Deposit	-	146,218	-	146,218
Accrued income	-	170,030	-	170,030
Margin lending	-	397,358	-	397,358
Prepayments and other assets	-	259,722	-	259,722
Investments carried at FVSI	-	1,137,036	39,738	1,176,774
Investments carried at FVOCI	113,090	-	-	113,090
Investments carried at amortized cost	64,000	-	-	64,000
TOTAL ASSETS	177,090	2,236,356	39,738	2,453,184
LIABILITIES				
Short term borrowing	-	412,565	-	412,565
Accrued expenses and other current liabilities	-	177,896	-	177,896
Lease Liabilities	-	2,662	-	2,662
TOTAL LIABILITIES	-	593,123	-	593,123
Maturity gap	177,090	1,643,233	39,738	1,860,061
Cumulative maturity gap	177,090	1,820,323	1,860,061	3,720,122

27.2 Fair value Estimation

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 were reported on the valuation day are valued at the most recent bid price.

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.

The fair value hierarchy has the following levels:
- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly: and
- Level 3 inputs are unobservable inputs for the asset or liability.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.2 Fair value Estimation

The table below presents the financial instruments at their fair values as of 31 December based on the fair value hierarchy:

			2022 SAR'000		
Financial assets not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**358,489**	**-**	**-**	**358,489**	**358,489**
Deposit with Muqassa	**115,420**	**-**	**-**	**115,420**	**115,420**
Time Deposit	**100,000**	**-**	**-**	**100,000**	**100,000**
Accrued income	**227,513**	**-**	**-**	**227,513**	**227,513**
Margin lending	**245,149**	**-**	**-**	**245,149**	**245,149**
Prepayments and other assets	**226,335**	**-**	**-**	**226,335**	**226,335**
Investments carried at amortized cost	**83,000**	**-**	**-**	**83,000**	**83,000**
	1,355,906	**-**	**-**	**1,355,906**	**1,355,906**

			2022 SAR'000		
Financial assets measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at FVSI	**1,363,258**	**-**	**1,292,787**	**70,471**	**1,363,258**
Investments carried at FVOCI	**113,435**	**113,435**	**-**	**-**	**113,435**
	1,476,693	**113,435**	**1,292,787**	**70,471**	**1,476,693**
	2,717,179	**113,435**	**1,292,787**	**1,310,957**	**2,717,179**

			2022 SAR'000		
Financial liabilities not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short term borrowing	**258,878**	**-**	**-**	**258,878**	**258,878**
Accrued expenses and other current liabilities	**190,652**	**-**	**-**	**190,652**	**190,652**
	449,530			**449,530**	**449,530**

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.2 Fair value Estimation (continued)

			2021 SAR'000		
Financial assets not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	125,992	-	-	125,992	125,992
Time Deposit	146,218	-	-	146,218	146,218
Accrued income	170,030	-	-	170,030	170,030
Margin lending	397,358	-	-	397,358	397,358
Prepayments and other assets	259,722	-	-	259,722	259,722
Investments carried at amortized cost	64,000	-	-	64,000	64,000
	1,163,320	-	-	1,163,320	1,163,320

			2021 SAR'000		
Financial assets measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at FVSI	1,176,774	-	1,161,728	15,046	1,176,774
Investments carried at FVOCI	113,090	113,090	-	-	113,090
	1,289,864	113,090	1,161,728	15,046	1,289,864

				2021 SAR'000	
Financial liabilities not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short term borrowing	412,565	-	-	412,565	412,565
Accrued expenses and other current liabilities	192,048	-	-	192,048	192,048
	604,613	-	-	604,613	604,613

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 2022, and 2021, there were no transfers into or out of Level 3 fair value measurements.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

27.2 Fair value Estimation (continued)

The fair values of cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending, other receivables, investment carried at amortised cost and accrued and other liabilities which are carried 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 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.

28. DIVIDENDS DISTRIBUTION

For the year ended 2022 no dividend is paid. (2021: SAR 300,000 thousand)

29. RESTATEMENT OF COMPARATIVE

Certain comparative figures have been restated in relation to accrued income on margin lending to conform with the current year presentation. The below restatement has no impact on the net income of the Company.

	31 December 2021 (As previously stated) SAR'000	Restatement SAR'000	31 December 2021 (As restated) SAR'000
Accrued income	180,422	(10,392)	170,030
Margin lending	386,966	10,392	397,357

Intangible amounting to SAR 9,935 thousand is showing separately, previously it was included within property and equipment.

Capital work in progress amounting to SAR 5,494 thousand is showing within property and equipment, previously it was included as a separate line item in the statement of financial position.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on February 16, 2023