

**ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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Independent auditor's report to the shareholder of Albilad Investment Company (A Saudi Closed Joint Stock Company)

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Albilad Investment Company (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 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 management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and 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 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.

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



Independent auditor's report to the shareholder of Albilad Investment Company (A Saudi Closed Joint Stock Company) (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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

March 21, 2023



ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2022	As at December 31, 2021
Assets			
Cash and cash equivalent	4	310,597,402	179,227,093
Receivable against margin lending	5	253,853,182	482,713,290
Investments held at fair value through statement of income (FVSI)	6	288,159,047	384,829,911
Investments held at amortized cost	7	92,795,286	83,654,200
Other assets	8	100,677,609	67,095,714
Property and equipment (P&E), net	9	3,737,659	3,811,411
Intangible assets, net	10	795,449	1,012,395
Right-of-use (ROU) assets	11	2,108,583	4,217,168
Total assets		1,052,724,217	1,206,561,182
Liabilities and equity			
Liabilities			
Short-term murabaha financing	12	50,074,250	200,493,905
Accruals and other liabilities	13	74,874,396	197,131,143
Zakat payable	14	13,143,172	11,953,956
Lease liability	11.1	2,248,350	4,419,443
Employees' end of service benefits (EOSB)	15	16,187,423	14,085,430
Total liabilities		156,527,591	428,083,877
Equity			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	60,000,000	60,000,000
Retained earnings		638,620,510	520,331,963
Other reserves		(2,423,884)	(1,854,658)
Total equity		896,196,626	778,477,305
Total liabilities and equity		1,052,724,217	1,206,561,182

The accompanying notes from 1 to 26 form an integral part of these financial statements.

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2022	2021
Revenue			
Income from brokerage services, net		52,924,468	92,056,693
Income from asset management services		129,212,057	87,490,153
Income from advisory services, net		4,645,750	12,551,004
Income from custody services, net		32,595,294	29,293,062
Special commission income		46,690,932	15,679,846
(Loss) / income from investments held at FVSI, net		(4,693,352)	498,350
Total revenue		261,375,149	237,569,108
Foreign exchange revaluation loss, net		(2,624,368)	(855,556)
Dividend income	19	1,649,789	1,619,215
Other income		6,926,325	405,000
Total other income		5,951,746	1,168,659
Total operating income		267,326,895	238,737,767
Operating expenses			
Salaries and employee related expenses		(92,679,986)	(81,285,640)
Other general and administrative expenses	20	(36,389,216)	(30,800,094)
Finance cost on lease liability	11.1	(77,257)	(151,752)
Special commission expense on short-term murabaha financing	12	(4,102,726)	(1,230,081)
Change for expected credit losses (ECL) on financial assets, net	8.2	(2,645,991)	(5,730,637)
Total operating expenses		(135,895,176)	(119,198,204)
Net income for the year before zakat		131,431,719	119,539,563
Zakat charge for the year	14	(13,143,172)	(11,953,956)
Net income for the year		118,288,547	107,585,607
Other comprehensive loss:			
<i>Items that will not be reclassified subsequently to the statement of income:</i>			
Re-measurement loss on employees' EOSB	15	(569,226)	(349,071)
Other comprehensive loss for the year		(569,226)	(349,071)
Total comprehensive income for the year		117,719,321	107,236,536

The accompanying notes from 1 to 26 form an integral part of these financial statements.

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
Balance as at January 1, 2022	200,000,000	60,000,000	520,331,963	(1,854,658)	778,477,305
Total comprehensive income for the year:					
Net income for the year	-	-	118,288,547	-	118,288,547
Other comprehensive loss for the year	-	-	-	(569,226)	(569,226)
Total comprehensive income for the year	-	-	118,288,547	(569,226)	117,719,321
Transfer to statutory reserve	-	-	-	-	-
Balance as at December 31, 2022	200,000,000	60,000,000	638,620,510	(2,423,884)	896,196,626
Balance as at January 1, 2021	200,000,000	52,542,073	420,204,283	(1,505,587)	671,240,769
Total comprehensive income for the year:					
Net income for the year	-	-	107,585,607	-	107,585,607
Other comprehensive loss 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)	-	-
Balance as at December 31, 2021	200,000,000	60,000,000	520,331,963	(1,854,658)	778,477,305

The accompanying notes 1 through 26 form an integral part of these financial statements.

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended December 31,	
	Note	2022	2021
Cash flows from operating activities:			
Net income for the year before zakat		131,431,719	119,539,563
<u>Adjustments for:</u>			
Provision for employees' end of service benefits	15	3,018,270	2,527,284
Depreciation on P&E and ROU assets	9, 11	4,356,318	4,089,122
Amortization	10	805,874	685,715
Special commission expense on short-term murabaha financing	12	4,102,726	1,230,081
Unrealised loss on investments held at FVSI	6	6,652,436	713,320
Special commission income on investments held at amortised cost	7	(3,187,926)	(2,283,706)
Foreign exchange loss		2,624,368	855,556
Change for ECL on financial assets, net	8.2	2,645,991	5,730,637
Finance cost on lease liability	11.1	77,257	151,752
		152,527,033	133,239,324
<u>Changes in operating assets and liabilities:</u>			
Decrease / (increase) receivable against margin lending		228,860,108	(367,436,621)
(Increase) / decrease other assets		(36,276,605)	8,919,415
(Decrease) / increase accruals and other liabilities		(122,256,747)	20,500,892
		70,326,756	(338,016,314)
Zakat paid	14	(11,953,956)	(8,455,357)
Employees' EOSB paid	15	(1,485,503)	(679,937)
Lease paid	11.1	(2,248,350)	(2,248,350)
		(15,687,809)	(11,383,644)
Net cash generated from / (used in) operating activities		207,165,980	(216,160,634)
Cash flows from investing activities:			
Investment held at FVSI, net		87,442,779	(77,670,013)
Purchase of investments held at amortised cost, net of ECL	7	(9,912,268)	(53,652,101)
Proceeds from sale of investments held at amortised cost	7	1,000,000	1,000,000
Purchase of property and equipment	9	(2,173,981)	(1,140,135)
Disposal of property and equipment		-	469,024
Additions to intangible assets	10	(588,928)	(196,565)
Special commission income received on investments held at amortised cost	7	2,959,108	1,942,880
Net cash generated from / (used in) investing activities		78,726,710	(129,246,910)
Cash flows from financing activities:			
Proceeds from short-term murabaha financing	12	49,900,000	230,000,000
Repayments of short-term murabaha financing	12	(200,000,000)	(30,000,000)
Repayment of profit on short-term murabaha financing	12	(4,422,381)	(736,176)
Net cash (used in) / generated from financing activities		(154,522,381)	199,263,824
Net change in cash and cash equivalents		131,370,309	(146,143,720)
Cash and cash equivalents at the beginning of the year		179,227,093	325,370,813
Cash and cash equivalent at the end of the year		310,597,402	179,227,093
Supplemental information:			
Purchase of investments held at FVSI	6	(38,927,363)	(111,633,659)
Proceeds from sale of investments held at FVSI		128,329,226	35,175,316

The accompanying notes from 1 to 26 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 DECEMBER 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 Dhul Qa’adah 11, 1428H (corresponding to November 20, 2007) issued in Riyadh. The Company was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company on Shawwal 16, 1438H (Corresponding to July 10, 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 Rajab 8, 1428H (corresponding to July 22, 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 and securities custody services.

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 DECEMBER 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

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 December 31, 2022 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.

a) 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 financial statements for the year ended December 31, 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.

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Change in accounting policies (continued)

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: <ul style="list-style-type: none"> - 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, however, no significant impact is expected.

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
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.

ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) 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.

c) 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.

ii. Classification and subsequent measurement of financial assets

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

1. Amortised cost;
2. Fair value through other comprehensive income ("FVOCI"); and
3. 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:

1. the Company's business model for managing the asset; and
2. 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:

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

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NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (continued)

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

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (continued)

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

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (continued)

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.

d) 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.

e) 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.

f) 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.

g) 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
Computer 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Property and equipment (continued)

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.

h) 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.

i) 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.

j) 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).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) 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.

l) 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.

m) 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.

n) 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:

- 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 discounts. 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 gross assets / net assets under management 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue recognition (continued)

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.

o) Dividend income

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

p) 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.

q) 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.

r) 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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Leases (continued)

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.

s) 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.

t) 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.

4. CASH AND CASH EQUIVALENT

	Note	As at December 31, 2022	As at December 31, 2021
Cash in hand		65,000	35,000
Cash at Bank - current accounts	4.1, 21.1	27,262,618	57,871,488
Cash in investment account		8,999,588	6,351,158
Less: allowance for ECL	4.2	(6,149)	(14,818)
		36,256,057	64,207,828
Murabaha deposit with banks	4.3	274,276,345	114,984,265
		310,597,402	179,227,093

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4. CASH AND CASH EQUIVALENT (CONTINUED)

4.1 This represents account maintained with the parent company i.e. Bank Albilad. As at December 31, 2022, Bank Albilad has an investment grade rating A3 as rated by the international rating agencies.

4.2 The movement in allowance for ECL is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	14,818	8,584
(Reversal) / charge during the year	(8,669)	6,234
Closing balance	6,149	14,818

4.3 Aa at December 31, 2022, murabaha deposits are placed with banks have an original maturity from 1 to 3 months (2021: from 1 to 3 months) with average rate of 4.34% (December 31, 2021: 0.75%). Following is the movement during the year:

	As at December 31, 2022	As at December 31, 2021
Principal amount outstanding	273,000,000	115,000,000
Accrued profit on outstanding amount	1,341,066	18,021
Less: allowance for ECL (Note 4.3.1)	(64,721)	(33,756)
	274,276,345	114,984,265

4.3.1 The movement in allowance for ECL is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	33,756	115,665
Charge / (reversal) during the year	30,965	(81,909)
Closing balance	64,721	33,756

5. RECEIVABLE AGAINST MARGIN LENDING

The Company extends receivable against margin lending facilities to its customers to invest in the Saudi 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 8.55 million (2021: SAR 68.95 million). The outstanding balances were SAR 51.19 million (2021: SAR 99.67 million).

	As at December 31, 2022	As at December 31, 2021
Gross receivable against margin lending	246,740,812	474,899,121
Accrued profit	7,112,370	7,814,169
	253,853,182	482,713,290

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6 INVESTMENTS HELD AT FVSI

As at December 31, 2022, investments held at FVSI comprise of investment in units of various public, private funds and equities which are recorded at fair value.

	As at December 31, 2022	As at December 31, 2021
Opening balance	384,829,911	307,873,218
Additions	38,927,363	111,633,659
Disposals	(126,370,142)	(33,963,646)
Unrealized loss on remeasurement	(6,652,436)	(713,320)
Foreign exchange loss	(2,575,649)	-
Closing balance	<u>288,159,047</u>	<u>384,829,911</u>

Following is the breakdown of the investments:

	As at December 31, 2022	As at December 31, 2021
<i><u>Investment funds:</u></i>		
ABIC Makkah Hospitality Fund	202,296,789	204,522,527
Albilad MSCI US Equity Fund ETF	23,414,390	-
Albilad Diversified SAR Fund	20,916,044	35,220,589
Albilad Gold ETF	2,183,851	10,348,945
Albilad Saudi Sovereign Sukuk ETF	2,316,948	13,068,454
Albilad Multi Assets Balanced Fund	5,007,287	-
The Second Commercial Complex Fund	3,341,243	3,314,883
Al Dhahiyah Investment Fund	3,127,240	2,976,098
Albilad Unconstrained Murabaha Fund	2,019,910	-
Canary Al Khozama Residential Compound Real Estate Fund	142,852	10,871,529
Albilad SAR Murabaha Fund	-	75,950,169
<i><u>Others</u></i>		
ABIC UK Real Estate Opportunities Ltd.	18,296,481	23,892,839
Investment in DPM equity	4,519,274	4,663,878
Saudi listed equities	576,738	-
Total	<u>288,159,047</u>	<u>384,829,911</u>

7 INVESTMENTS HELD AT AMORTIZED COST

During the year 2022, the Company purchased sukuks, amounting to SAR 9.94 million (December 31, 2021: 53.66 million) that will mature latest by 2031 carrying a profit rate between 2.65% to 8% per annum.

	As at December 31, 2022	As at December 31, 2021
Opening balance	83,654,200	30,661,273
Purchased during the year	9,935,701	53,664,515
Income earned during the year	3,187,926	2,283,706
Settlement during the year	(1,000,000)	(1,000,000)
Profit received during the year	(2,959,108)	(1,942,880)
Less: ECL provision	(23,433)	(12,414)
Closing balance	<u>92,795,286</u>	<u>83,654,200</u>

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7.1 The movement in allowance for ECL is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	36,011	24,073
(Reversal) / charge during the year	(164)	11,938
Closing balance	<u>35,847</u>	<u>36,011</u>

8 OTHER ASSETS

	Note	As at December 31, 2022	As at December 31, 2021
Receivable from funds and discretionary portfolios:			
- Management fees from funds	21.2	89,037,729	52,983,350
- Outstanding loans to private funds	21.2	5,245,810	5,151,610
- Management fee from discretionary portfolios – local		926,960	1,959,181
Investment banking and security's custody income receivable		10,812,442	11,002,490
Prepayments		1,756,854	2,483,433
Other		3,996,552	1,990,529
Less: allowance for ECL	8.1	<u>(11,098,738)</u>	<u>(8,474,879)</u>
		<u>100,677,609</u>	<u>67,095,714</u>

8.1 The movement in allowance for ECL is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	8,474,879	2,680,505
Charge during the year	2,623,859	5,794,374
Closing balance	<u>11,098,738</u>	<u>8,474,879</u>

8.2 The amount of ECL change as appearing in statement of comprehensive income comprise ECL on following:

	Note	As at December 31, 2022	As at December 31, 2021
Cash and bank balances	4.2	(8,669)	6,234
Murabaha deposit with banks	4.3.1	30,965	(81,909)
Investments held at amortised cost	7.1	(164)	11,938
Other assets	8.1	2,623,859	5,794,374
		<u>2,645,991</u>	<u>5,730,637</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
Cost:							
At the beginning of the year	7,480,001	2,444,812	503,923	1,412,174	501,850	600,000	12,942,760
Additions during the year	317,358	324,772	20,718	568,074	599,431	343,628	2,173,981
Disposal / transfer	-	-	-	-	-	-	-
At the end of the year	7,797,359	2,769,584	524,641	1,980,248	1,101,281	943,628	15,116,741
Accumulated depreciation:							
At the beginning of the year	5,018,630	2,225,989	463,616	921,264	501,850	-	9,131,349
Charge for the year	1,405,389	354,898	38,206	332,639	116,601	-	2,247,733
Disposal / transfer	-	-	-	-	-	-	-
At the end of the year	6,424,019	2,580,887	501,822	1,253,903	618,451	-	11,379,082
Net book value							
As at December 31, 2022	1,373,340	188,697	22,819	726,345	482,830	943,628	3,737,659
	Leasehold improvements	Office furniture and equipment	Fixture and fittings	Computer hardware	Motor vehicles	Capital work-in- progress	Total
Cost:							
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
Accumulated depreciation:							
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
Net book value							
As at December 31, 2021	2,461,371	218,823	40,307	490,910	-	600,000	3,811,411

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10 INTANGIBLE ASSETS, NET

	As at December 31, 2022	As at December 31, 2021
Cost:		
At the beginning of the year	9,414,628	9,218,063
Additions during the year	588,928	196,565
At the end of the year	10,003,556	9,414,628
Accumulated amortisation:		
At the beginning of the year	8,402,233	7,716,518
Charge for the year	805,874	685,715
At the end of the year	9,208,107	8,402,233
Net book value	795,449	1,012,395

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 AND LEASE LIABILITY

	As at December 31, 2022	As at December 31, 2021
Cost:		
At the beginning of the year	8,434,331	8,434,331
Additions during the year	-	-
At the end of the year	8,434,331	8,434,331
Accumulated amortisation:		
At the beginning of the year	4,217,163	2,108,583
Charge for the year	2,108,585	2,108,580
At the end of the year	6,325,748	4,217,163
Net book value	2,108,583	4,217,168

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:

	As at December 31, 2022	As at December 31, 2021
Lease liability at the beginning of the year	4,419,443	6,516,041
Additions during the year	-	-
Payment during the year	(2,248,350)	(2,248,350)
Finance cost on lease liability	77,257	151,752
Lease liability at the end of the year	2,248,350	4,419,443

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12 SHORT-TERM MURABAHA FINANCING

This represents murabaha financing obtained from Bank Albilad to finance the Company's margin lending customers. During the year, the Company repaid the short-term murabaha amounting to SAR 200 million that carried special commission rate at SIBOR + agreed spread and the remaining is payable during the year 2022 with varying maturities. The Company also obtained a loan of SAR 49.9 million (2021: SAR 230 million) during the year at SAIBOR + agreed spread. There were no covenants on the murabaha financings obtained from Bank Albilad.

	Note	As at December 31, 2022	As at December 31, 2021
Opening balance		200,493,905	-
Receipts during the year	21.1, 21.2	49,900,000	230,000,000
Repayments during the year	21.1	(200,000,000)	(30,000,000)
Repayments of profits during the year		(4,422,381)	(736,176)
Special commission expense for the year	21.1	4,102,726	1,230,081
Closing balance		50,074,250	200,493,905

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

	Note	As at December 31, 2022	As at December 31, 2021
Opening balance		493,905	-
Special commission expense during the year	21.1	4,102,726	1,230,081
Repayments during the year		(4,422,381)	(736,176)
Closing balance	21.2	174,250	493,905

13 ACCRUALS AND OTHER LIABILITIES

	Note	As at December 31, 2022	As at December 31, 2021
Due to Bank Albilad	13.1, 21.2	5,168,565	136,151,065
Employee accrued benefits		45,719,744	34,409,860
Contracts accruals		10,385,506	9,645,588
Legal provision	13.2	135,236	6,203,740
Other		13,465,345	10,720,890
		74,874,396	197,131,143

13.1 Due to Bank Albilad includes expenses for outsourcing services. This balance carries no special commission and has no fixed maturity date.

13.2 Movement of legal provision is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	6,203,740	6,918,174
Charge during the year	85,236	-
Reversal during the year	(6,153,740)	-
Payment during the year	-	(714,434)
Closing balance	135,236	6,203,740

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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 December 31, 2022 amounting to SAR 13.14 million (2021: SAR 11.95 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.

	As at December 31, 2022	As at December 31, 2021
Opening balance	11,953,956	8,455,357
Charge for the year	13,143,172	11,953,956
Payment during the year	(11,953,956)	(8,455,357)
Closing balance	<u>13,143,172</u>	<u>11,953,956</u>

15 EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

	As at December 31, 2022	As at December 31, 2021
Opening balance	14,085,430	11,889,012
Charge for the year:		
Amount recognised in statement of income	3,018,270	2,527,284
Amount recognised in other comprehensive income	569,226	349,071
Payments during the year	(1,485,503)	(679,937)
Closing balance	<u>16,187,423</u>	<u>14,085,430</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:

	As at December 31, 2022	As at December 31, 2021
Balance at the beginning of the year	14,085,430	11,889,012
Current service cost	2,704,717	2,283,599
Interest expense	313,553	243,685
	3,018,270	2,527,284
Re-measurements loss due to actuarial valuation	569,226	349,071
Benefits paid	(1,485,503)	(679,937)
Balance at the end of the year	<u>16,187,423</u>	<u>14,085,430</u>

15.1 Key actuarial assumptions

	As at December 31, 2022	As at December 31, 2021
End of service benefits:		
Discount rate	4.00%	2.35%
Salary growth rate	8.00%	7.20%
Weighted average duration of liability (in years)	6.29	6.31

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

15.2 Sensitivity analysis for actuarial assumptions

December 31, 2022	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	5.92%	6.65%	(959,098)	1,076,051
Salary growth rate	7.05%	6.40%	1,141,826	(1,035,793)

December 31, 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)

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>
December 31, 2022	2,075,595	2,242,773	4,340,313	12,748,100	21,406,781
December 31, 2021	2,139,811	1,591,677	3,861,861	8,900,618	16,493,967

16 SHARE CAPITAL

The authorized and paid-up share capital of the Company as at December 31 comprise of 20,000,000 shares at a nominal value of SAR 10 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		As at December 31, 2022	As at December 31, 2021
		Number of shares	20,000,000	20,000,000
Bank Albilad	Saudi Arabia	Share capital	200,000,000	200,000,000

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16 SHARE CAPITAL (CONTINUED)

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 shareholder by pricing products and 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 requirement and the Company intends to maintain a healthy capital ratio to cater future business growth.

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. As at December 31, 2022, the Company was in compliance with the externally imposed capital restrictions.

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.

18 CONTINGENCIES AND COMMITMENTS

Bank Albilad has issued, on the Company's behalf, letter of guarantee amounting to SAR 100 million (2021: SAR 100 million), in favour of the Saudi 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 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

		For the year ended December 31,	
	Note	2022	2021
Custody expense		8,359,466	6,662,652
Subscription for services		5,456,069	4,967,816
Depreciation	9, 11	4,356,318	4,089,122
Legal and consultation		3,406,729	2,534,555
Board of Directors expenses		3,164,000	1,744,500
Outsourcing services fees	21.1	2,500,000	2,500,000
Advertisement and marketing		1,560,870	805,704
Communication expenses		1,251,893	885,757
Premises expenses		1,078,570	1,147,682
Incentive expenses		1,073,461	2,093,600
Software license maintenance fees		996,462	822,179
Amortisation	10	805,874	685,715
Other		2,379,504	1,860,812
		36,389,216	30,800,094

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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 December 31, 2022 and balances as at December 31, 2022 resulting from such transactions are as follows:

21.1 Related party transactions

		For the year ended December 31,	
	Note	2022	2021
<u>A) Bank Albilad - Parent Company:</u>			
Short-term murabaha financing receipts	12	49,900,000	230,000,000
Repayment of short-term murabaha financing	12	(200,000,000)	(30,000,000)
Repayment of due to Bank		(134,000,000)	-
Advisory services		-	3,905,833
Outsourced services at a fixed annual fee	20	2,500,000	2,500,000
Asset management income		1,468,493	2,118,750
Special commission expenses on short-term murabaha financing	12	4,102,726	1,230,081
Premises related expenses		433,662	433,662
Custody revenue from sukuk		87,500	172,500
Letter of guarantee commission expense		138,125	137,500
Income from murabaha deposits with banks		6,611,887	92,090
<u>B) Investment funds:</u>			
Asset management services income from private funds		47,554,864	33,456,276
Subscription and performance fees from private funds		26,500,518	3,506,145
Dividends from private funds		1,387,000	1,316,174
Loan to private funds		94,200	(12,167,131)
Asset management services income from public funds		18,841,029	20,675,291
Subscription fee from public funds		357,990	509,384
Dividends from public funds		-	131,633
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		1,827,168	1,559,255
Structuring fee from local real estate fund		31,206,643	11,657,104
<u>C) Board of Directors and companies owned by Directors / direct relations</u>			
Receivable against margin lending		8,545,848	68,947,432
Board of Directors' remunerations		3,164,000	1,484,500
Receivable against margin lending income		3,062,441	2,142,089
Brokerage commission income		69,261	373,943
Early settlement of Directors' receivable from Tadawul		4,018,547	12,826,093
Investment banking service		250,000	-
Rent and premises		2,248,350	2,248,350
<u>D) Key management personnel:</u>			
Key management personnel compensation	21.2.1	20,727,538	15,704,956

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21 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

21.2 Related party balances

	Note	As at December 31, 2022	As at December 31, 2021
<u>a) Bank Albilad – Parent Company:</u>			
Bank balances	4	27,262,618	57,871,488
Short-term murabaha financing	12	(49,900,000)	(200,000,000)
Murabaha placements		56,000,000	-
Payable to the Bank Albilad	21.2.2, 13	(5,168,565)	(136,151,065)
Accrued special commissions expenses on short term murabaha financing	12	(174,250)	(493,905)
Outstanding letter of guarantee issued on behalf of the Company	18	(100,000,000)	(100,000,000)
Outstanding management fees		46,171	1,481,380
Outstanding custody fees		419	-
<u>B) Investment funds:</u>			
Management fee from funds	8	89,037,729	52,983,350
Outstanding loans from private funds	8	5,245,810	5,151,610
Investments held at FVSI		283,063,035	380,166,033
<u>C) Board of Directors and companies owned by Directors</u>			
Receivable against margin lending outstanding		51,192,998	99,666,469
Receivable against margin lending income receivable		1,853,988	2,086,982
Board of Directors' remunerations		(3,029,000)	(1,645,500)
<u>D) Key management personnel:</u>			
Key management personnel compensation		(5,752,021)	(3,409,812)

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.

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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

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

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.

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Price risk

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.

Sensitivity

Due to 10% change in the NAV of the mutual fund units, as at December 31, 2022, with all other variables held constant, the income and equity for the year would be higher / lower by SAR 28 million (December 31, 2021: SAR 38 million).

Due to 10% change in the value of equity shares, as at December 31, 2022, with all other variables held constant, the income and equity for the year would be higher / lower by SAR 0.51 million (December 31, 2021: SAR 0.47 million).

Due to 10% change in the value of NAV of the Funds, as at December 31, 2022, with all other variables held constant, the income and equity for the year would be higher / lower by SAR 12.9 million (December 31, 2021: 8.7 million).

c) Cash flow and fair value commission rate risk

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.

Sensitivity

With a 10% change in the underlying SAIBOR with all the variables held constant, the income / cash flows for the year will increase / decrease as follows:

Cash and bank balances	+/- 10% change in SAIBOR	SAR +/- 31,059,740
Receivable against margin lending	+/- 10% change in SAIBOR	SAR +/- 25,385,318
Short-term murabaha financing	+/- 10% change in SAIBOR	SAR +/- 5,007,425

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.1 Market risk (continued)

c) Cash flow and fair value commission rate risk (continued)

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
As at December 31, 2022					
Cash and cash equivalent	310,532,402	-	-	65,000	310,597,402
Receivable against margin lending	85,449,412	168,403,770		-	253,853,182
Investments held at FVSI	-	-	-	288,159,047	288,159,047
Other assets	-	-	-	98,920,755	98,920,755
Investments held at amortised cost	-	-	92,795,286	-	92,795,286
Total financial assets	395,981,814	168,403,770	92,795,286	387,144,802	1,044,325,672
Short-term murabaha financing	50,074,250	-	-	-	50,074,250
Accruals and other liabilities	-	-	-	68,319,311	68,319,311
Lease liabilities	-	-	2,248,350	-	2,248,350
Total financial liabilities	50,074,250	-	2,248,350	68,319,311	120,641,911
Net	345,907,564	168,403,770	90,546,936	318,825,491	923,683,761

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
As at December 31, 2021					
Cash and cash equivalent	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
Total financial assets	254,997,507	406,907,876	83,654,200	449,477,192	1,195,036,775
Short-term murabaha financing	-	200,493,905	-	-	200,493,905
Accruals and other liabilities	-	-	-	189,747,250	189,747,250
Lease liability	-	-	4,419,443	-	4,419,443
Total financial liabilities	-	200,493,905	4,419,443	189,747,250	394,660,598
Net	254,997,507	206,413,971	79,234,757	259,729,942	800,376,177

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

As at December 31, 2022	<u>Investment grade</u>	<u>Unrated</u>	<u>Total</u>
Cash and cash equivalent	310,597,402	-	310,597,402
Receivable against margin lending	-	253,853,182	253,853,182
Investments held at FVSI	-	288,159,047	288,159,047
Investment held at amortised cost	92,795,286	-	92,795,286
Other assets	-	98,920,755	98,920,755
Total	403,392,688	640,932,984	1,044,325,672

As at December 31, 2021	<u>Investment grade</u>	<u>Unrated</u>	<u>Total</u>
Cash and cash equivalent	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

As at December 31, 2022, the impairment allowance for expected credit losses against financial assets is as follows:

	As at December 31, 2022	As at December 31, 2021
Opening balance	8,559,464	2,828,827
Charge for the year	2,645,991	5,730,637
Closing balance	11,205,455	8,559,464

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22 FINANCIAL RISK MANAGEMENT (CONTINUED)

22.2 Credit risk (continued)

As at December 31, 2022, the credit risk exposure for receivable against margin lending by geographic region is as follows:

	As at December 31, 2022	As at December 31, 2021
Saudi Arabia	253,853,182	482,713,290

As at December 31, 2022, the credit risk exposure for receivables against margin lending by type of customer is as follows:

	As at December 31, 2022	As at December 31, 2021
Corporate customers	-	25,045,139
Retail customers	253,853,182	457,668,151
	253,853,182	482,713,290

As at December 31, 2022, the carrying amount of exposure to Company's most significant customer was SAR 90 million (December 31, 2021: SAR 162 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)

As at December 31, 2022	<u>Less than 1 year</u>	<u>Total</u>
Accruals and other liabilities	74,874,396	74,874,396
Short term murabaha financing	50,074,250	50,074,250
Lease liability	2,248,350	2,248,350
	<u>127,196,996</u>	<u>127,196,996</u>
As at December 31, 2021		
Accrued and other liabilities	197,131,143	197,131,143
Short term murabaha financing	200,493,905	200,493,905
Lease liability	4,419,443	4,419,443
	<u>402,044,491</u>	<u>402,044,491</u>

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 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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23 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 December 31, 2022 and 2021 based on the fair value hierarchy:

As at December 31, 2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Receivable against margin lending	253,853,182	-	-	253,853,182	253,853,182
Other assets	98,920,755	-	-	98,920,755	98,920,755
Investments held at amortised cost	92,795,286	-	31,682,325	56,549,400	88,231,725
Financial assets measured at fair value					
Investments held at FVSI	288,159,047	33,011,201	27,943,241	227,204,605	288,159,047
	733,728,270	33,011,201	59,625,566	636,527,942	729,164,709
Financial liabilities not measured at fair value					
Short-term murabaha financing	50,074,250	-	-	50,074,250	50,074,250
Accruals and other current liabilities	68,319,311	-	-	68,319,311	68,319,311
Lease liability	2,248,350	-	-	2,248,350	2,248,350
	120,641,911	-	-	120,641,911	120,641,911

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23 FAIR VALUE ESTIMATION (CONTINUED)

As at December 31, 2021	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
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
Financial assets measured at fair value					
Investments held at FVSI	384,829,911	28,081,277	111,170,758	245,577,876	384,829,911
	1,015,809,682	28,081,277	174,129,287	814,153,447	1,016,364,011
Financial liabilities not measured at fair value					
Short-term murabaha financing	200,493,905	-	-	200,493,905	200,493,905
Accruals and other current liabilities	189,747,250	-	-	189,747,250	189,747,250
Lease liability	4,419,443	-	-	4,419,443	4,419,443
	394,660,598	-	-	394,660,598	394,660,598

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 December 31, 2022 and 2021, 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 and Saudi listed equities at FVSI are classified under level 1, level 2 and level 3, Saudi listed equities and listed mutual funds under level 1, 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.

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24 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 11.8 billion (2021: SAR 10.2 billion). In addition to this, an amount of SAR 1.34 billion (2021: SAR 1.93 billion) relates to client money arising from brokerage business held in a designated account with Bank Albilad. The assets under custody services at the end of the year amounted to SAR 113 billion (2021: SAR 151 billion).

25 SUBSEQUENT EVENTS

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

26 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of the Company on March 5, 2023.