Building a better working world

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY (A SINGLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)

Scope:

We have been engaged by Watani Wealth Management Company (the "Company") to perform a 'reasonable assurance engagement,' as defined by International Standards on Assurance Engagements endorsed in the Kingdom of Saudi Arabia, here after referred to as the engagement, to report on Company's Compliance with Prudential Rules (the "Rules") issued by the Capital Market Authority ("CMA") (the "Subject Matter") contained in the Company's accompanying schedule of Capital Adequacy (the "Schedule") setting out the calculation of the minimum capital required and capital adequacy ratios of Company as of 31 December 2021 prepared by management (the "Schedule").

Criteria applied by Watani Wealth Management Company:

In preparing the Subject Matter, Watani Wealth Management Company has applied the below criteria (the "Criteria"). Such Criteria were specifically designed for schedule of Capital Adequacy; as a result, the subject matter information may not be suitable for another purpose.

- Prudential Rules issued by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G (the "Rules").

Management's responsibilities:

Watani Wealth Management Company's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express an opinion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000') Revised as endorsed in the Kingdom of Saudi Arabia, and the terms of reference for this engagement as agreed with Company dated 31 January 2022. Those standards require that we plan and perform our engagement to obtain reasonable assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

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INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT (continued)

TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY
(A SINGLE SHAREHOLDER CLOSED JOINT STOCK COMPANY) (continued)

EY's responsibilities (continued)
We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our Independence and Quality Control:
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants as endorsed in Kingdom of Saudi Arabia, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1 , *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed:
Our procedures included:

- Obtained the Schedule and management's computation supporting the amounts in the Schedule;
- Conducted interviews with relevant members of Company's management and staff in connection to the Company's overall compliance framework, related policies and established processes, systems and controls for ensuring and monitoring compliance with the Rules;
- Inspected the relevant clauses of the Rules and ensured that these Rules were appropriately considered by management in the preparation of the Schedule;
- Checked information presented in the Schedule to the management's computation supporting the amounts in the Schedule and the amounts in such computation to the Company's underlying books and records; and
- Checked the clerical accuracy of the Schedule.

We also performed such other procedures as we considered necessary in the circumstances.

Other Matter:

- The attached Schedule has been stamped by us for identification purposes.

Opinion:
In our opinion, accompanying Schedule as of 31 December 2021 is presented, in all material respects, in accordance with the Rules issued by the CMA.

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INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT (continued)

**TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY
(A SINGLE SHAREHOLDER CLOSED JOINT STOCK COMPANY) (continued)**

Restricted use:
This report is intended solely for the information and use of Watani Wealth Management Company and Capital Market Authority and is not intended to be and should not be used by anyone other than those specified parties.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 19 Sha'ban 1443H
22 March 2022G

EY
سجل تجاري ١٠١٠٣٨٣٨٢١
CR.1010383821
شركة أرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Capital Adequacy Schedule
31 December 2021

REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

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

	2021 SR'000	2020 SR'000
Capital base		
Tier 1 capital	**54,213**	53,191
Total capital base (A)	**54,213**	53,191
Minimum capital requirement		
Credit risk	**23,477**	12,417
Operational risk	**11,870**	7,504
Market risk	**1,062**	865
Total minimum capital requirement (B)	**36,409**	20,786
Surplus (C=A-B)	**17,804**	32,405
Capital adequacy (D=A/B)	**1.49 times**	2.56 times

a) The capital base of the Company is comprised of:
Tier 1 capital comprises paid up share capital and accumulated losses less intangible assets.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules issued by the CMA.

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

Musaad Al-Sudairy

الوطني لإدارة الثـــروات | الوطني
Watani Wealth Management | NBK
C.R No: 1010481235 :سجل تجاري رقم
CMA Licence No: 17185-37 ترخيص هيئة السوق المالية

Hikmat Nassar

شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
FOR IDENTIFICATION PURPOSES ONLY لأغراض تعريفية فقط
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WATANI WEALTH MANAGEMENT COMPANY
(A Single Shareholder Closed Joint Stock Company)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY
(A SINGLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Watani Wealth Management Company (A Single Shareholder Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY
(A SINGLE SHAREHOLDER 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 skepticism 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF WATANI WEALTH MANAGEMENT COMPANY
(A SINGLE SHAREHOLDER CLOSED JOINT STOCK COMPANY) (continued)

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

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 17 Sha'ban 1443H
(20 March 2022)

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR.1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**13,495,704**	13,173,341
Intangible assets	7	**1,343,424**	1,273,465
Right-of-use assets	12	**2,220,774**	3,846,108
TOTAL NON-CURRENT ASSETS		**17,059,902**	18,292,914
CURRENT ASSETS			
Investment held at fair value through profit and loss (FVTPL)	10	**19,610,970**	6,450,000
Accounts receivable, prepayments and other assets	9	**10,198,419**	3,266,881
Cash and bank balances	8	**29,728,900**	40,234,323
TOTAL CURRENT ASSETS		**59,538,289**	49,951,204
TOTAL ASSETS		**76,598,191**	68,244,118
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	13	**90,000,000**	90,000,000
Accumulated losses		**(34,740,956)**	(35,682,095)
Actuarial valuation reserve	11	**297,090**	146,582
TOTAL SHAREHOLDER'S EQUITY		**55,556,134**	54,464,487
LIABILITIES			
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities	11	**2,282,613**	1,518,395
Lease liabilities – non-current portion	12	**700,886**	2,231,842
TOTAL NON-CURRENT LIABILITIES		**2,983,499**	3,750,237
CURRENT LIABILITIES			
Accounts payable, accrued expenses and other liabilities	14	**12,350,703**	5,646,022
Amounts due to related parties	15	**1,402,928**	-
Zakat payable	17	**2,778,600**	2,750,422
Lease liabilities – current portion	12	**1,526,327**	1,632,950
TOTAL CURRENT LIABILITIES		**18,058,558**	10,029,394
TOTAL LIABILITIES		**21,042,057**	13,779,631
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**76,598,191**	68,244,118

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
INCOME			
Arrangement fee income	16	**48,814,280**	18,256,832
OPERATING EXPENSES			
Salaries and related costs		**(23,913,064)**	(16,140,237)
Commission fee expense		**(10,840,185)**	(3,384,070)
Depreciation of property and equipment	6	**(3,103,563)**	(2,602,425)
Depreciation of right-of-use assets	12	**(1,625,334)**	(1,625,334)
Employees' defined benefit liabilities	11	**(933,244)**	(810,921)
Advisory fee expense	15	**(1,216,725)**	(548,963)
Amortization of intangible assets	7	**(127,164)**	(58,420)
Other general and administration expenses	18	**(5,722,394)**	(4,844,405)
		(47,481,673)	(30,014,775)
OPERATING PROFIT (LOSS)		**1,332,607**	(11,757,943)
Special commission income		**707,311**	624,305
Other income	12	**103,000**	40,300
Foreign exchange gain		**73,420**	2,380
Finance costs	19	**(92,528)**	(105,969)
INCOME (LOSS) BEFORE ZAKAT		**2,123,810**	(11,196,927)
Zakat	17	**(1,182,671)**	(1,158,648)
INCOME (LOSS) FOR THE YEAR		**941,139**	(12,355,575)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gain (loss) on employees' defined benefit liabilities	11	**150,508**	(29,391)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**1,091,647**	(12,384,966)

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 December 2021

	Share capital SR	*Accumulated losses SR*	*Actuarial valuation reserve SR (Note 11)*	*Total SR*
As at 1 January 2020	90,000,000	(33,326,520)	175,973	56,849,453
Loss for the year	-	(12,355,575)	-	(12,355,575)
Other comprehensive loss	-	-	(29,391)	(29,391)
Total comprehensive loss for the year	-	(12,355,575)	(29,391)	(12,384,966)
Waiver of liability by the Shareholder (note 15)	-	10,000,000	-	10,000,000
As at 31 December 2020	**90,000,000**	**(35,682,095)**	**146,582**	**54,464,487**
Income for the year	-	941,139	-	941,139
Other comprehensive income	-	-	150,508	150,508
Total comprehensive income for the year	-	941,139	150,508	1,091,647
As at 31 December 2021	**90,000,000**	**(34,740,956)**	**297,090**	**55,556,134**

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
OPERATING ACTIVITIES			
Income (loss) before zakat		**2,123,810**	(11,196,927)
Adjustments for:			
Depreciation of property and equipment	6	**3,103,563**	2,602,425
Depreciation of right-of-use assets	12	**1,625,334**	1,625,334
Provision for employees' defined benefit liabilities	11	**933,244**	810,921
Finance costs	19	**92,528**	105,969
Amortization of intangible assets	7	**127,164**	58,420
Income from rent concession	12	**(103,000)**	(40,300)
Special commission income		**(707,311)**	(624,305)
Operating cash flows before movements in working capital		**7,195,332**	(6,658,463)
Changes in operating assets and liabilities			
Increase in accounts receivable and other assets		**(6,808,699)**	(2,158,347)
(Increase) decrease in prepayments		**(122,839)**	129,584
Increase in accounts payable, accrued expenses and other liabilities		**6,704,681**	60,207
Cash from (used in) operating activities		**6,968,475**	(8,627,019)
Special commission income received		**707,311**	689,674
Employee's terminal benefits paid	11	**(18,518)**	(71,626)
Payment of interest charged	19	**(26,507)**	-
Zakat paid	17	**(1,154,493)**	(1,715,844)
Net cash from (used in) operating activities		**6,476,268**	(9,724,815)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(3,425,926)**	(4,190,787)
Additions to intangible assets	7	**(197,123)**	(457,646)
Proceeds from disposal of financial assets held at FVTPL	10	**404,975,055**	255,637,500
Acquisitions of financial assets held at FVTPL	10	**(418,136,025)**	(251,962,500)
Net cash used in investing activities		**(16,784,019)**	(973,433)
FINANCING ACTIVITIES			
Movement in amounts due to related parties, net		**1,402,928**	(12,323,879)
Payment of lease liabilities	12	**(1,600,600)**	(1,513,300)
Net cash used in financing activities		**(197,672)**	(13,837,179)
Decrease in cash and bank balances		**(10,505,423)**	(24,535,427)
Cash and bank balances at the beginning of the year		**40,234,323**	64,769,750
Cash and bank balances at the end of the year		**29,728,900**	40,234,323
Significant non-cash transactions:			
Waiver of liability by the Shareholder	15	-	10,000,000

The attached notes 1 to 26 form part of these financial statements.

1. INCORPORATION AND ACTIVITIES

Watani Wealth Management Company (the "Company") is a single shareholder closed joint stock company, established on 8 Jumad Awal 1439H (corresponding to 25 January 2018) pursuant to the rules and regulations of the Companies' Law issued by a Royal Decree No. M/3, dated 28 Muharram 1437H (corresponding to 10 November 2015). The Company is registered in the Kingdom of Saudi Arabia under commercial registration number 1010481235 dated 4 Rabi Thani 1440H (corresponding to 11 December 2018). The registered office is located at Daman Building 2nd and 3rd floor, Al Muhammadiyah District, King Fahad Road, Riyadh 12363, Kingdom of Saudi Arabia.

The Company also operates in the Kingdom of Saudi Arabia through the following branches:

City	*Commercial Registration Number*
Jeddah	4030605432
Al Khobar	2051229687

The Company and its branches are licensed to carry out dealing, managing investments, operating funds, arranging, advising and custody in the securities business in accordance with the license issued by the Capital Market Authority No. 17185-37 dated 19 Dhul Hijjah 1438H (corresponding to 10 September 2017).

2. BASIS OF PREPARATION

2.1 Statement of compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2.2 Judgments and estimates
The preparation of the financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies as discussed in note 4.

2.3 Basis of measurement, presentation and functional currency
The financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for investments held at fair value through profit or loss that are measured at fair value and the measurement of the employees' defined benefit that is determined at the present value of future liabilities using the expected unit credit method. These financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company.

2.4 New and amended standards and interpretations
Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- The practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

2. BASIS OF PREPARATION (continued)

2.4 New and amended standards and interpretations (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments to the classification of liabilities as current or non-current is not expected to have a significant impact on the Company’s financial statements in the period of initial application.

Reference to Conceptual Framework – Amendments to IFRS 3
In May 2020, IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
The amendments is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS Standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(s) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates – Amendments to IAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing these financial statements.

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is classified as current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Fair value measurement
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 an asset or a liability, if market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, 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.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing recognized (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets consist of FVTPL investment, cash and bank balances, account and other receivables. Financial liabilities consist of accounts payable and other current liabilities.

Fair values of these financial instruments have been assessed as being approximate to the carrying amounts due to frequent re-pricing or their short-term nature.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers
Arrangement fees
The Company is in the business of conducting the activities of dealing, managing, and arranging services. Revenue from contracts with customers is recognized at a point in time (when the services are provided to the customer at an amount that reflects the consideration to which the Company is entitled in exchange for those services). The Company has concluded that it is the principal in its revenue arrangements.

Other income
Other income is recognized when earned.

Zakat
Zakat is provided for by the Company in accordance with Regulations of the Zakat, Tax and Customs Authority (the "ZATCA") prevailing in the Kingdom of Saudi Arabia and on an accrual basis. Provision for zakat is charged to profit or loss.

Value added tax
Expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income as incurred.

Capital work-in-progress represents all costs relating directly or indirectly to the acquisition or construction of assets where acquisition or construction is in progress and will be transferred to relevant category of property and equipment once completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use.

The Company applies the following annual rates of depreciation to its property and equipment:

Description	*Number of years*
Office equipment	4 to 5
Furniture and fixtures	5 to 10

An item of property and equipment and any significant part initially is derecognized upon disposal (i.e., at the date the recipient obtains control) 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 profit or loss and other comprehensive income when the asset is derecognized.

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.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognized right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Buildings are depreciated over the lease term of 2-4 years.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) that depend on a rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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 accumulated impairment losses.

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 are 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 are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 4 years to its computers' software and accounted for on a straight-line basis.

An intangible asset is derecognized on disposal (i.e. at the date the recipient obtains control), or when no future economic benefits are expected from use or disposal. Any gain or loss arising upon 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 profit or loss and other comprehensive income.

Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a debt instrument to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market-place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For the purpose of subsequent measurement, financial assets are classified in two categories:
- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is recognized, modified or impaired. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortized cost of the financial instrument. The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Account and other receivables
Account and other receivables are measured at amortized cost and comprise of account receivables, accrued income and other assets.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes financial assets which the Company had not irrevocably elected to classify at fair value through OCI.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at amortized cost (debt instruments) (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment
For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement
All financial liabilities are recognized initially at fair value and, net of directly attributable transaction costs. At 31 December 2021, all Company's financial liabilities are classified at amortized cost.

Subsequent measurement
After initial recognition, interest-bearing liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Trade payables, other payables and lease liabilities
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Employees' terminal benefits liabilities
The present value of the Employees' terminal benefits liabilities is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies' Law and the Company's By-Laws, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. The Company has not recorded any transfer for the year due to the losses incurred.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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.

Judgments
In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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.

Provision for expected credit losses of account receivables
The Company uses a provision matrix to calculate ECLs for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Economic useful lives of property and equipment

The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

Employees' defined benefit liabilities

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government issued bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the implicit interest rate in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company does not enter into financing transactions hence, therefore, it estimates the IBR using the IBR of the parent company that is obtained from the centralized treasury which is adjusted for the Company's specific and country's specific risk premium.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Company's management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6. PROPERTY AND EQUIPMENT

	Office equipment SR	*Furniture and fixture SR*	*Work in progress SR*	*Total 2021 SR*
Cost:				
At 31 December 2020	7,380,191	9,460,551	19,000	**16,859,742**
Additions	2,680,696	732,700	12,530	**3,425,926**
Transfers	19,000	-	(19,000)	-
At 31 December 2021	**10,079,887**	**10,193,251**	**12,530**	**20,285,668**
Accumulated depreciation:				
At 31 December 2020	1,752,628	1,933,773	-	**3,686,401**
Charge for the year	2,000,567	1,102,996	-	**3,103,563**
At 31 December 2021	**3,753,195**	**3,036,769**	-	**6,789,964**
Net book values:				
At 31 December 2021	**6,326,692**	**7,156,482**	**12,530**	**13,495,704**

	Office equipment SR	*Furniture and fixture SR*	*Work in progress SR*	*Total 2021 SR*
Cost:				
At 31 December 2019	872,487	9,097,881	2,698,587	12,668,955
Additions	3,809,117	362,670	19,000	4,190,787
Transfers	2,698,587	-	(2,698,587)	-
At 31 December 2020	7,380,191	9,460,551	19,000	16,859,742
Accumulated depreciation:				
At 31 December 2019	176,504	907,472	-	1,083,976
Charge for the year	1,576,124	1,026,301	-	2,602,425
At 31 December 2020	1,752,628	1,933,773	-	3,686,401
Net book values:				
At 31 December 2020	5,627,563	7,526,778	19,000	13,173,341

7. INTANGIBLE ASSETS

	Computer software SR	*Work in progress SR*	*Total 2021 SR*
Cost:			
At 31 December 2020	265,063	1,101,063	**1,366,126**
Additions	170,873	26,250	**197,123**
Transfers	211,999	(211,999)	-
At 31 December 2021	**647,935**	**915,314**	**1,563,249**
Accumulated amortization:			
At 31 December 2020	92,661	-	**92,661**
Charge for the year	127,164	-	**127,164**
At 31 December 2021	**219,825**	-	**219,825**
Net book values:			
At 31 December 2021	**428,110**	**915,314**	**1,343,424**

	Computer software SR	*Work in progress SR*	*Total 2020 SR*
Cost:			
At 31 December 2019	142,027	766,453	908,480
Additions	123,036	334,610	457,646
At 31 December 2020	265,063	1,101,063	1,366,126
Accumulated amortization:			
At 31 December 2019	34,241	-	34,241
Charge for the year	58,420	-	58,420
At 31 December 2020	92,661	-	92,661
Net book values:			
At 31 December 2020	172,402	1,101,063	1,273,465

8. CASH AND BANK BALANCES

	2021 SR	*2020 SR*
Bank balances	**29,722,168**	38,231,835
Short-term bank deposits	-	2,000,000
Cash in hand	**6,732**	2,488
	29,728,900	40,234,323

Bank balances are placed in current accounts with local commercial banks. Short-term bank deposits represent time deposits with local banks with average original maturities of less than 3 months. The effective commission rate on time deposits during the year ended 31 December 2021 was 0.50% (2020: 1.12%).

9. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS

	2021 *SR*	*2020* *SR*
Accounts receivable	**8,354,718**	2,255,375
Deposits	**45,180**	45,180
Accrued special commission	**-**	389
Other assets	**716,842**	7,097
Prepayments	**1,081,679**	958,840
	10,198,419	3,266,881

10. INVESTMENT HELD AT FAIR VALUE TRHOUGH PROFIT AND LOSS (FVTPL)

	2021 *SR*	*2020* *SR*
At the beginning of the year	**6,450,000**	10,125,000
Additions during the year	**418,136,025**	251,962,500
Disposal during the year	**(404,975,055)**	(255,637,500)
At the end of the year	**19,610,970**	6,450,000

11. EMPLOYEES' DEFINED BENEFIT LIABILITIES

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**1,518,395**	749,709
Service cost	**885,713**	778,834
Interest cost	**47,531**	32,087
Benefits paid during the year	**(18,518)**	(71,626)
Actuarial (gain) loss	**(150,508)**	29,391
At the end of the year	**2,282,613**	1,518,395

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	2021	*2020*
Discount rate	**3.50%**	3.25%
Withdrawal	**5.00%**	5.00%
Rate of salary increases	**3.00%**	3.00%

All movements in the employees' defined benefit liabilities are recognized in profit or loss except for the actuarial gain (loss), which is recognized in other comprehensive income.

11. EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Movements in actuarial gain (loss) recognized in OCI are as follows:

	2021 SR	*2020 SR*
At the beginning of the year	**146,582**	175,973
Remeasurement gain (loss) – effect of experience adjustments and change in financial assumptions	**150,508**	(29,391)
At the end of the year	**297,090**	146,582

Sensitivity analysis

The sensitivity analysis presented below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	2021 SR	*2020 SR*
Increase in discount rate of 1%	**(306,546)**	(213,562)
Decrease in discount rate of 1%	**368,288**	258,189
Increase in rate of salary increase of 1%	**366,547**	256,143
Decrease in rate of salary increase of 1%	**(310,655)**	(215,940)

12. LEASES

The Company has lease contracts for buildings used in its operations. Leases of buildings generally have lease terms between 2 to 4 years. Generally, the Company is restricted from assigning and subleasing the leased assets. Set out below is the carrying amount of right-of-use assets and the movements during the year:

	2021 SR	*2020 SR*
At the beginning of the year	**3,846,108**	5,471,442
Depreciation expense	**(1,625,334)**	(1,625,334)
At the end of the year	**2,220,774**	3,846,108

12. LEASES (continued)

The movements in lease liabilities during the year are as follows:

	2021 *SR*	*2020* *SR*
At the beginning of the year	**3,864,792**	5,312,423
Interest on lease liabilities (note 19)	**66,021**	105,969
Payment of lease liabilities	**(1,600,600)**	(1,513,300)
Lease liability waived due to rent concession	**(103,000)**	(40,300)
At the end of the year	**2,227,213**	3,864,792
Non-current portion	**700,886**	2,231,842
Current portion	**1,526,327**	1,632,950
	2,227,213	3,864,792

The following are the amounts that are recognized in the profit or loss in relation to leases:

	2021 *SR*	*2020* *SR*
Depreciation expense of right-of-use assets	**1,625,334**	1,625,334
Interest on lease liabilities (note 19)	**66,021**	105,969
At the end of the year	**1,691,355**	1,731,303

13. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company amounting to SR 90,000,000 is divided into 9,000,000 shares of SR 10 each (2020: SR 90,000,000 is divided into 9,000,000 shares of SR 10 each). The Company is wholly owned by National Bank of Kuwait.

14. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2021 *SR*	*2020* *SR*
Accrued expenses	**10,496,573**	3,891,845
Accounts payable	**445,846**	752,553
VAT payable	**894,856**	635,206
Others	**513,427**	366,418
	12,350,702	5,646,022

Terms and conditions of the above financial liabilities
Accounts and other payables are non-interest bearing and have a term of three months.

15. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company transacted with its related parties and the terms of those transactions are approved by the management in the ordinary course of business. A related party is defined as a person or an entity that is related to the entity preparing its financial statements. Following are the details of major related party transactions during the year and related party balances at the reporting date:

Related party	*Nature of transaction*	*2021 SR*	*2020 SR*
Affiliates	Amounts paid on behalf of the Company	**1,543,443**	1,455,451
	Amounts paid to affiliate	**(1,543,443)**	(3,550,320)
	Short term bank deposits (note ii)	**2,000,000**	15,391,768
	Special commission income on short term bank deposits	**389**	274,633
	Advisory fee	**1,216,725**	548,963
Shareholder	Amounts paid on behalf of the Company	**48,525**	-
	Amounts paid to the Shareholder	**(48,525)**	(10,229,010)
	Waiver of liability by the Shareholder (note i)	**-**	10,000,000

	2021 SR	*2020 SR*
Amounts due to related parties	**1,402,928**	-
	1,402,928	-

Key management remuneration:	*2021 SR*	*2020 SR*
Salaries and bonuses	**7,747,833**	6,520,632
End of service benefits	**245,764**	218,017
	7,993,597	6,738,649

i. Amounts due to related parties are presented in the statement of financial position. The related party balances are unsecured and interest free.

ii. The Company placed deposits with an affiliate with an average amount of SR 2,000,000 (2020: 15,391,768). The effective commission rate on time deposits for the year ended 31 December 2021 was 0.50% (2020: 1.09%). The short term deposit amounting to SR 2,000,000 matured during the year.

iii. Board of directors remuneration during the year amounted to SR 420,000 (2020: SR 420,000) (note 18).

16. ARRANGEMENT FEE INCOME

The following is the disaggregation of the Company's arrangement fee income for the two years ended 31 December:

	2021 SR	*2020 SR*
Type of service		
Subscription and referral fee	**37,228,264**	15,484,406
Fee sharing and management fee	**11,586,016**	2,772,426
Total	**48,814,280**	18,256,832

16. ARRANGEMENT FEE INCOME (continued)

	2021 ***SR***	*2020* *SR*
Timing of revenue recognition		
Services transferred at a point in time	37,228,264	15,484,406
Services transferred over the period	11,586,016	2,772,426
Total	**48,814,280**	18,256,832

17. ZAKAT

17.1 Charge for the year

The zakat charge for the year amounting to SR 1,182,671 consists of the provision for the current year (31 December 2020: SR 1,158,648).

17.2 Movements in provision

The movements in zakat provision are as follows:

	2021 *SR*	*2020* *SR*
At the beginning of the year	**2,750,422**	3,307,618
Provided during the year	**1,182,671**	1,158,648
Payments during the year	**(1,154,493)**	(1,715,844)
	2,778,600	2,750,422

The principal elements of the zakat base are as follows:

	2021 *SR*	*2020* *SR*
Shareholder’s capital	**90,000,000**	90,000,000
Allowances and other adjustments	**8,716,468**	(3,888,583)
Book value of long term assets and other adjustments	**(52,741,995)**	(41,619,435)
Zakat base as per the old regulations	**45,974,473**	44,491,982
Zakat base as per the new regulations	**47,306,828**	46,345,921
Zakat	**1,182,671**	1,158,648

17.3 Status of assessments

The Company has filed all its zakat returns with the Zakat, Tax and Customs Authority (the “ZATCA”) for all the years up to 2020. However, the assessments have not yet been raised by the ZATCA.

18. OTHER GENERAL AND ADMINISTRATION EXPENSES

	2021 *SR*	*2020* *SR*
Professional fees	**1,463,590**	893,565
Software license expenses	**1,452,390**	1,539,354
Communication services	**979,517**	795,400
Utilities	**464,603**	434,918
Board of Directors' remuneration (note 15)	**420,000**	420,000
Transportation and travel expenses	**155,086**	114,977
Office supplies and printing	**93,085**	99,325
Withholding taxes	**38,527**	20,592
Others	**655,596**	526,274
	5,722,394	4,844,405

19. FINANCE COSTS

	2021 *SR*	*2020* *SR*
Interest on lease liabilities (note 12)	**66,021**	105,969
Interest charged	**26,507**	-
	92,528	105,969

20. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

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

	2021 *SR'000*	*2020* *SR'000*
Capital base		
Tier 1 capital	**54,213**	53,191
Total capital base (A)	**54,213**	53,191
Minimum capital requirement		
Credit risk	**23,477**	12,417
Operational risk	**11,870**	7,504
Market risk	**1,062**	865
Total minimum capital requirement (B)	**36,409**	20,786
Surplus (C=A-B)	**17,804**	32,405
Capital adequacy (D=A/B)	**1.49 times**	2.56 times

a) The capital base of the Company is comprised of:
Tier 1 capital comprises paid up share capital and accumulated losses less intangible assets.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules issued by the CMA.

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

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

21.1 Financial assets

	2021 SR	2020 SR
Financial assets at amortized cost:		
Accounts receivable (note 9)	**8,354,718**	2,255,375
Deposits (note 9)	**45,180**	45,180
Accrued special commission (note 9)	**-**	389
Other assets (note 9)	**716,842**	7,097
	9,116,740	2,308,041
Cash and bank balances (note 8)	**29,728,900**	40,234,323
	38,845,640	42,542,364
Financial assets at fair value through profit or loss:		
Investment held at fair value through profit and loss (FVTPL) (note 10)	**19,610,970**	6,450,000
Total financial assets	**58,456,610**	48,992,364

The management has conducted a review of expected credit loss as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of bank balances, accounts receivables and other assets.

21.2 Financial liabilities

	Interest rate	Maturity	2021 SR	2020 SR
Current interest-bearing liabilities				
Lease liabilities (note 12)	2.48%	Less than 1 year	**1,526,327**	1,632,950
Amount due to related parties (note 15)	Interest free	Less than 1 year	**1,402,928**	-
Accounts payable, accrued expense and other liabilities (note 14)	Interest free	Less than 1 year	**11,455,846**	5,010,816
Non-current interest-bearing liabilities				
Lease liabilities (note 12)	2.48%	2 years	**700,886**	2,231,842

21.3 Fair values

At 31 December 2021, the fair values of the Company's financial assets and financial liabilities approximate their carrying values. Financial assets carried at fair value are classified as level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

21.4 Financial instruments risk management objectives and policies

The Company's principal financial liabilities mainly comprise of accounts payable, other liabilities and due to related parties. The Company's financial assets include cash and bank balances, accounts and other receivables and FVTPL investments which are integral to and are directly derived out of its regular business.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

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. The Company is exposed to three types of risk: interest rate risk, price risk and currency risk. Financial instruments affected by market risk include deposits, and debt financial instruments. There were no changes in these circumstances from the previous year.

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

21.4 Financial instruments risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's lease liabilities. The Company does not have any exposure to movements in interest rates on its lease liability at the current or prior reporting date. Consequently, no interest rate sensitivity analysis has been presented.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to market risk with respect to its investments held at FVTPL. The Company limits price risks by subscribing in funds and by continuously monitoring the developments in the price movement of the underlying funds. In addition, the key factors that affect the market movements are monitored including analysis of the operational and financial performance of investees.

As at the reporting date, the 1% movement in price would result in increase/decrease amounting to SR 196,110 (31 December 2020: SR 64,500).

Foreign currency risk
Foreign currency risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company neither has significant monetary assets/liabilities nor does it undertake significant transactions in currencies other than Saudi Riyal, United States Dollar, Euro and British Pound (with the exception of certain transactions and balances with its Shareholder in Kuwaiti Dinar).

The table below indicates the Company's foreign currency exposure at 31 December 2021 and 2020, as a result of its monetary liabilities. The analysis calculates the effect of a reasonably possible movement of the Saudi Riyal against British Pound, with all other variables held constant, on profit or loss (due to the fair value of currency sensitive liabilities):

	100 bp increase SR	*100 bp decrease SR*
2021	**2,582**	**(2,582)**
2020	-	-

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily account and other receivables) and deposits with banks and financial institutions, cash at banks, foreign exchange transactions and other financial instruments.

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

21.4 Financial instruments risk management objectives and policies (continued)

Credit risk (continued)

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position:

	2021 *SR*	*2020* *SR*
Bank balances (note 8)	**29,722,168**	40,231,835
Accounts receivable (note 9)	**8,354,718**	2,255,375
Deposits (note 9)	**45,180**	45,180
Accrued special commission (note 9)	**-**	389
Other assets (note 9)	**716,842**	7,097
	38,838,908	42,539,876

The Company's management has conducted a review of expected credit losses as required under IFRS 9 and based on such assessment, the Company's management believes that there is no need for any significant impairment loss against the carrying value of bank balances, account and other receivables.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2021	*Within 3 months* *SR*	*3 months to 1 year* *SR*	*1 to 5 years* *SR*	*Total* *SR*
Accounts payable, accrued expenses and other liabilities	11,455,846	-	-	**11,455,846**
Due to related parties	1,402,928	-	-	1,402,928
Lease liabilities	700,000	853,600	701,800	**2,255,400**
	13,558,774	853,600	701,800	**15,114,174**

31 December 2020	*Within 3 months* *SR*	*3 months to 1 year* *SR*	*1 to 5 years* *SR*	*Total* *SR*
Accounts payable, accrued expenses and other liabilities	5,010,816	-	-	5,010,816
Lease liabilities	700,000	1,003,600	2,255,400	3,959,000
	5,710,816	1,003,600	2,255,400	8,969,816

22. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements, which require adjustment to, or disclosure, in these financial statements.

23. CONTINGENCIES AND COMMITMENTS

The Company does not have any contingencies and commitments as of 31 December 2021 (2020: nil).

24. ASSETS HELD IN FIDUCIARY CAPACITY

These represent assets held and invested by the Company on behalf of its customers and amount to SR 2,617,539,536 at the reporting date (2020: SR 1,061,000,081).

25. IMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL STATEMENTS

The outbreak of the newly emerging Corona Virus (COVID-19) is still evolving and increasing. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. It is still not certain what size and extent of these impacts will be determined, depending on future developments that cannot be accurately predicted at the present time, such as the rate of virus transmission and the size and effectiveness of measures taken to contain it. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorized by the Board of Directors on 12 Sha'ban 1443H (corresponding to 15 March 2022).