

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY  
(A Saudi Closed Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
AND INDEPENDENT AUDITOR'S REPORT**

**Al Khair Capital Saudi Arabia Company**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated financial statements for the year ended December 31, 2021**

<b>Contents</b>	<b>Pages</b>
Independent auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in shareholders' equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8 - 37

## *Independent auditor's report to the shareholders of Al Khair Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company)*

---

### *Our opinion*

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

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

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

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.



## *Independent auditors' report to the shareholders of Al Khair Capital Saudi Arabia Company (continued)*

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

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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**



Bader I. Benmohareb  
License Number 471

March 10, 2022

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	As at December 31, 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	178,582	595,236
Accounts receivable, prepayments and other assets, net	5	33,212,058	78,492,337
Receivable against margin lending and murabaha financing	6	112,475,000	61,389,000
		<u>145,865,640</u>	<u>140,476,573</u>
<b>Non-current assets</b>			
Intangible assets	8	818,404	212,175
Property and equipment, net	9	14,729,483	12,622,570
Investment in an associate	10	13,289,578	13,688,683
Investments held at fair value through statement of income (FVIS)	11	81,258,695	74,733,850
Investments held at fair value through other comprehensive income (FVOCI)	11	2,732,299	-
Investments held at amortised cost	11	670,035,385	663,833,333
Investment properties, net	12	123,483,532	126,980,473
		<u>906,347,376</u>	<u>892,071,084</u>
<b>Total assets</b>		<u>1,052,213,016</u>	<u>1,032,547,657</u>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities	13	4,360,871	1,963,144
Lease liabilities	14	2,927,522	2,644,492
Provision for zakat and income tax	15.2	1,059,960	2,042,766
		<u>8,348,353</u>	<u>6,650,402</u>
<b>Non-current liabilities</b>			
Lease liabilities	14	3,474,266	4,407,757
Employees' termination benefits	16	15,757,905	11,966,693
		<u>19,232,171</u>	<u>16,374,450</u>
<b>Total liabilities</b>		<u>27,580,524</u>	<u>23,024,852</u>
<b>Shareholders' equity</b>			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	3,169,338	1,455,050
Other reserves	19	(5,314,408)	(3,281,213)
Retained earnings		26,777,562	11,348,968
		<u>1,024,632,492</u>	<u>1,009,522,805</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,052,213,016</u>	<u>1,032,547,657</u>
<b>Capital commitments and contingencies</b>	23		

The notes from 1 to 29 form an integral part of these consolidated financial statements.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated statement of income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2021	2020
<b>Operating income</b>			
Profit spread based on implicit rate of murabaha contracts from assets held under fiduciary capacity		28,703,900	32,620,399
Income from investments at amortised cost		26,440,002	-
Asset management fee		11,526,654	6,905,041
Rental income from investment properties		9,084,000	9,084,000
Brokerage fee		7,305,918	5,818,673
Income from margin lending and murabaha financing		7,072,590	3,498,056
Advisory fee		3,160,250	1,631,500
Dividend income		1,897,404	1,856,968
Unrealised gain/(loss) on changes in fair value of investments held at FVSI		171,923	(739,688)
Realized gain on investments held at FVOCI		153,228	-
Realized gain on investments amortised cost		108,295	350,621
Custody fee		43,700	41,800
Income from short-term murabaha placements		-	15,116,082
Realized (loss)/gain on investments held at FVIS		(77,076)	192,534
<b>Total operating income</b>		<b>95,590,788</b>	<b>76,375,986</b>
<b>Operating expenses</b>			
Salaries and employee-related expenses		(51,346,669)	(41,819,210)
General and administrative expenses	21	(16,587,618)	(10,708,991)
Depreciation and amortization	8, 9, 12	(7,718,368)	(7,643,182)
Charge impairment, net	11	(900,000)	(500,000)
Finance costs		(435,238)	(125,071)
<b>Total operating expenses</b>		<b>(76,987,893)</b>	<b>(60,796,454)</b>
<b>Income from operations</b>		<b>18,602,895</b>	<b>15,579,532</b>
<b>Other income</b>			
Share of results of an associate	10	(399,105)	1,276,097
<b>Income before zakat and income tax</b>		<b>18,203,790</b>	<b>16,855,629</b>
Zakat for the current year		(1,042,876)	(2,029,760)
Income tax for the current year	15.1	(17,086)	(13,006)
Zakat and income tax for prior years	15.2	(946)	(262,361)
<b>Net income for the year</b>		<b>17,142,882</b>	<b>14,550,502</b>
<b>Basic and diluted earnings per share attributable to the shareholders of the Company based on:</b>			
Income from operations	22	0.19	0.16
Net income for the year		0.17	0.15
Weighted average number of shares		100,000,000	100,000,000

The notes from 1 to 29 form an integral part of these consolidated financial statements.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated statement of comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

		<b>For the year ended December 31,</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Net income for the year</b>		<b>17,142,882</b>	14,550,502
<b>Other comprehensive income/(loss)</b>			
Items that will not be reclassified subsequently to the consolidated statement of income:			
- Re-measurement of employees' termination benefits	16	<b>(2,065,594)</b>	(670,778)
- Changes in fair value of investments held at FVOCI		<b>32,399</b>	42,660
<b>Other comprehensive loss for the year</b>		<b>(2,033,195)</b>	(628,118)
<b>Total comprehensive income for the year</b>		<b>15,109,687</b>	13,922,384

The notes from 1 to 29 form an integral part of these consolidated financial statements.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated statement of changes in shareholders' equity**  
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
January 1, 2020	1,000,000,000	-	(2,490,984)	(1,721,562)	995,787,454
Accumulated losses of subsidiary (prior year)	-	-	-	(187,033)	(187,033)
Net income for the year	-	-	-	14,550,502	14,550,502
Other comprehensive loss for the year	-	-	(628,118)	-	(628,118)
Total comprehensive income for the year	-	-	(628,118)	14,550,502	13,922,384
Transfer to statutory reserve	-	1,455,050	-	(1,455,050)	-
Realised gain on disposal of financial assets at FVOCI	-	-	(162,111)	162,111	-
<b>December 31, 2020</b>	<b>1,000,000,000</b>	<b>1,455,050</b>	<b>(3,281,213)</b>	<b>11,348,968</b>	<b>1,009,522,805</b>
January 1, 2021	<b>1,000,000,000</b>	<b>1,455,050</b>	<b>(3,281,213)</b>	<b>11,348,968</b>	<b>1,009,522,805</b>
Net income for the year	-	-	-	17,142,882	17,142,882
Other comprehensive loss for the year	-	-	(2,033,195)	-	(2,033,195)
Total comprehensive income for the year	-	-	(2,033,195)	17,142,882	15,109,687
Transfer to statutory reserve	-	1,714,288	-	(1,714,288)	-
<b>December 31, 2021</b>	<b>1,000,000,000</b>	<b>3,169,338</b>	<b>(5,314,408)</b>	<b>26,777,562</b>	<b>1,024,632,492</b>

The notes from 1 to 29 form an integral part of these consolidated financial statements.



**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2021	2020
<b>Cash flows from operating activities:</b>			
Income before zakat and income tax		18,203,790	16,855,629
<b>Adjustments for non-cash and other items:</b>			
Depreciation and amortization	8,9,12	7,718,368	7,643,182
Provision for employees' termination benefits	16	2,487,129	2,395,737
Provision for credit loss allowance		900,000	500,000
Realized gain from sale of investments		(184,447)	(543,155)
Unrealised (gain)/loss on changes in fair value of financial assets held at FVSI		(171,923)	739,688
Accrued income from investments at amortised cost		(10,135,385)	-
Share of results of an associate	10	399,105	(1,276,097)
Finance costs	9	203,243	125,071
<b>Changes in working capital:</b>			
Accounts receivable, prepayments and other assets		44,980,279	(54,026,747)
Receivable against margin lending		(51,086,000)	(16,589,000)
Accrued expenses and other liabilities		2,397,727	427,181
Lease liabilities		1,877,339	10,170,844
Employees' termination benefits paid	16	(761,511)	(67,641)
Zakat and income tax paid	15.2	(2,043,714)	(1,457,179)
<b>Net cash generated from/(used in) operating activities</b>		<b>14,784,000</b>	<b>(35,102,487)</b>
<b>Cash flows from investing activities:</b>			
Purchase of investments in financial assets	11	(26,656,700)	(687,020,081)
Proceeds from redemption of investments held at FVIS		17,000,001	21,526,981
Proceeds from disposal of investments held at FVOCI		680,028	3,684,033
Proceeds from disposal of investments held at amortised cost		3,441,629	55,239,067
Purchase of property and equipment and intangible assets	8,9	(6,934,569)	(14,692,394)
<b>Net cash used in investing activities</b>		<b>(12,469,611)</b>	<b>(621,262,394)</b>
<b>Cash flows from financing activity:</b>			
Payment of lease liabilities	14.3	(2,731,043)	(3,243,666)
<b>Net cash used in financing activity</b>		<b>(2,731,043)</b>	<b>(3,243,666)</b>
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		595,236	660,203,783
<b>Cash and cash equivalents at the end of the year</b>	4	<b>178,582</b>	<b>595,236</b>
<b>Supplemental non-cash information:</b>			
Changes in fair value of financial assets at FVOCI		32,399	42,660
Re-measurement loss on employees' termination benefits	16	(2,065,594)	(670,778)

The notes from 1 to 29 form an integral part of these consolidated financial statements.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**1 General information**

Al Khair Capital Saudi Arabia Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010264915 issued in Riyadh on Rabi Al Awwal 27, 1430H (corresponding to March 24, 2009) and under license No. 08120-37 issued by the Capital Market Authority's ("CMA") Resolution No. 2008-35-4 dated Dhul Quaddah 7, 1429H (corresponding to November 5, 2008).

The principal activities of the Company are to act as an agent, principal, underwriter and to provide arranging and advisory services. The Company's activities also include establishment and management of funds and investment portfolios including real estate.

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

Al Khair Capital Saudi Arabia Company  
King Abdul Aziz Road  
P.O. Box 69410  
Riyadh 11547, Kingdom of Saudi Arabia

The accompanying consolidated financial statements include the consolidated financial statements of the Company and its following subsidiaries (collectively referred to as "the Group"):

<b>Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Ownership%</b>
Al Khair Capital Real Estate Fund LLC.	Kingdom of Saudi Arabia	100%
Almaalomah Almaliah Company	Kingdom of Saudi Arabia	100%

Al Khair Capital Real Estate Fund LLC ("ACREF") is a limited liability company, registered under commercial registration No. 1010325452 dated 21 Safar 1433H (corresponding to January 15, 2012) in the Kingdom of Saudi Arabia, and is wholly owned by the Company through direct and beneficial ownership. The Company owns 95% of ACREF's share capital and the remaining 5% is owned by one of the members of the Company's Board of Directors on behalf of the Company. The principal activity of ACREF is the management of real estate funds, however, ACREF has not commenced commercial operations as of December 31, 2021.

Almaalomah Almaliah Company ("AAC") is a limited liability company, registered under commercial registration No. 1010637453 dated 16 Shawal 1441H (corresponding to June 8 2020) in the Kingdom of Saudi Arabia, and is wholly owned by the Company. The Company owns 100% of "AAC" share capital. The principal activity of "AAC" is programming and designing special software. AAC is a start-up entity and generation of revenue not yet started as the main project is still in progress as of December 31, 2021.

The accompanying consolidated financial statements were approved by the Board of Directors of the Company March 10, 2022.

**2 Significant accounting policies**

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

**2.1 Basis of preparation**

**(i) Statement of compliance**

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**(ii) Basis of measurement**

These consolidated financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of investments at fair value through other comprehensive income (FVOCI) or at fair value through statement of income (FVSI).
  - employees' termination benefits carried at their present value using projected unit credit method.
- using the accrual basis of accounting.

**(iii) Functional and presentation currency**

These financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group.

**(iv) Consolidation**

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries as set out in note 1 to these consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Significant intra group balances and transactions if any, are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed to or has a right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. Specifically, the Group controls an entity if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

The Group offers certain investment management and advisory services to its customers. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds. Determining whether the Group controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Group in the fund and the investor's right to remove the fund manager. Based on the assessment carried out by the Group, it has been concluded that it acts as an agent for the investors in all cases and therefore it has not consolidated these investment funds in these financial statements.

**2.2 Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

**(a) Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.6 Impairment of financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**

**(A Saudi Closed Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- (i) *Determining criteria for significant increase in credit risk;*
- (ii) *Choosing appropriate models and assumptions for the measurement of ECL;*
- (iii) *Establishing the number and relative weights of forward-looking scenarios for each type of product/ market and the associated ECL; and*
- (iv) *Establishing groups of similar financial assets for the purposes of measuring ECL.*

Detailed information about the judgments and estimates by the Group is set out in note 2.6 Impairment of financial assets.

*(b) Employees' benefit obligations*

The Group operates a defined benefit plan under the Saudi Labor Law based on employees' accumulated periods of service at the date of the consolidated statement of financial position. The cost 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 consolidated statement of financial position.

*(c) Investment Property*

The Group's investment property comprises of investment properties represent apartment buildings. IAS 40 requires management to perform impairment assessment and disclose the fair value of the investment properties in the consolidated financial statements. For details please refer (note 2.14).

**2.3 Foreign currency translation**

*(a) Transactions and balances*

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

*(b) Group companies*

The results and financial position of foreign subsidiaries and associates, if any, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the date of that statement of financial position;
- (ii) Income and expenses for each statement of income are translated at average exchange rates; and
- (iii) Components of the equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates, if any, into Saudi Riyals, if material, are reported as a separate component of equity.

Dividends received from an associate, if any, are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of income.

When investment in a foreign subsidiary or an associate, if any, is partially disposed-off or sold, currency translation differences that were recorded in equity are recognized in the consolidated statement of income as part of gain or loss on disposal or sale.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

## **2.4 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at bank and other short-term highly liquid investments, if any, with original maturities of three months or less from the acquisition date, which are available to the Group without any restrictions.

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

## **2.5 Financial Instruments**

### **(i) Initial recognition**

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

### **(ii) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through the statement of income), and
- those to be measured at amortized cost.

### Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

**Business model:** The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the "SPPI" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest (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 Group classifies its debt instruments into one of the three measurement categories as described in (iii) below.

### 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.

Classification and subsequent measurement of Group's equity instruments is described in (iii) below.

### **(iii) Measurement**

At initial recognition, the Group measures financial assets at its fair value plus or minus, in the case of a financial asset not at fair value through the consolidated statement of income, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVSI are expensed in the consolidated statement of income.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

*Subsequent measurement of debt instrument*

It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

- a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in the consolidated statement of income when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method.
- b) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through consolidated statement of comprehensive income, except for the recognition of impairment gains or losses, interest on financial instruments (revenue) and foreign exchange gains and losses which are recognized in the consolidated statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in statement of comprehensive income is reclassified from equity to the consolidated statement of income and recognized in other gains/(losses). Interest from these financial assets is included in finance income using the effective yield method.
- c) Fair value through statement of income (FVSI): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of income. A gain or loss on a debt investment that is subsequently measured at fair value through statement of income and is not part of a hedging relationship is recognized in consolidated statement of income and presented net in the consolidated statement of income within other gains/(losses) in the year in which it arises. Interest from these financial assets is included in the finance income.

*Subsequent measurement of equity instruments*

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 consolidated 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 dividends is established.

(iii) Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated. For example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

## **2.6 Impairment of financial assets**

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

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

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

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

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

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

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

The financial assets of the Group that are subjected to ECL review include bank balances, accounts receivables and receivable against margin lending.

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which are payable on demand and expected to be settled in the next 12 months. Other exposure includes placement with banks and financial institutions which have a sound credit rating as at the reporting date and therefore the Group considers that they have low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralises its margin lending facilities by 200% and they are liquidated once the collateral value decrease to 135%, hence the Group has zero loss given default against margin financing facilities.

### **2.6.1 Stages of impairment under IFRS 9**

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

#### Stage 1 - Performing financial assets

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

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

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

Stage 2 - Financial Assets with significant increase in credit risk

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

Stage 3 - Credit impaired financial assets

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

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

## **2.6.2 Transfer criteria**

*Stage 1 to Stage 2*

- If the amount is more than 30 days past due.
- For margin lending receivables, if the collateral value is decreased to 170% but not below 150%, the facility is transferred in stage 2.

*Stage 2 to Stage 3*

- If the amount is more than 90 days past due.
- For margin financing receivables, if the collateral value is decreased to 135% or below, the facility is considered to be credit impaired and the Group calls for liquidation.

## **2.6.3 Expected credit loss measurement**

*Significant increase in credit risk:*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

*Quantitative criteria:*

- The increase in the days past due of the counterparty by 30 days or more at the reporting date, or
- For margin financing receivables, when the collateral value is decreased to 180% but not below 120%, the facility is considered to have a significant increase in credit risk.

*Qualitative criteria:*

If the counterparty meets one or more of the following criteria:

- Extension to the terms granted
- Previous arrears within the last [12] months
- Significant adverse changes in business, financial and/or economic conditions in which the counterparty operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the counterparty

*Definition of default:*

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Group, or
- the collateral value against margin financing facility is decreased to 135% or below.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status or cross default by the same customer on another obligation; and
- based on data developed internally and obtained from external sources.



**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

*Measurement of ECL:*

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

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

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model has been developed internally considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome which includes macroeconomic factors. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective interest rate) of the difference between:

- (a) The contractual cash flows that are due to the Group under the contract; and
- (b) The cash flows that the Group expects to receive.

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which is payable on demand and expected to be settled in the next 12 months. Other exposures include placement with banks and financial institutions which has a sound credit rating as at the reporting date and therefore the Group considers that it has low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralise their margin financing facilities by 200% and they are liquidated once the collateral value decrease to 135%, hence Group has zero LGD against margin financing facilities.

*Incorporation of forward-looking information:*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. A macroeconomic adjustment is applied to the PD in order to incorporate forward looking outcome.

## **2.7 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 consolidated statement of comprehensive income.

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

## **2.8 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 accessible market for the asset or liability.

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 they act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

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

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

## **2.9 De-recognition 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 Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

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

## **2.10 Offsetting of financial instruments**

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## **2.11 Impairment of non-financial assets**

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.12 Property and equipment**

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged to the consolidated statement of income, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	<b>Number of years</b>
Furniture and fixtures	8
Office equipment	3
Vehicles	5
Computer hardware	3-10

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

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

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including normal repair and maintenance, are recognized in the consolidated statement of income as and when incurred.

**2.13 Intangible assets**

Intangible assets mainly comprise computer software and licenses.

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. Amortization is recognized in the consolidated statement of income on a straight-line basis over the estimated useful life of the software which is 1 to 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization method, useful lives and residual values are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Subsequent expenditures on software assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the consolidated statement of income as and when incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

**2.14 Investment properties**

Investment property (land or building and/or part of a building) is property held by the Group to earn rental income or for capital appreciation, or both, rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and / or for undetermined use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (except for land which is carried at cost), net of impairment losses (if any). Depreciation is charged to the consolidated statement of income, using straight-line method to allocate the costs of the related assets to their residual values over their estimated useful lives which is 33 years. The Group follows cost model of IAS 40 for subsequent measurement of investment properties. For the purpose of computing impairment losses, at each reporting period an evaluation is conducted of investment properties at fair value, which reflects market conditions at the reporting date. Any impairment loss identified is recorded in the consolidated statement of income. Fair values are determined based on an evaluation performed by an accredited external, independent valuer.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is the carrying value at the date of change/transfer. If owner-occupied property becomes an investment property, the Group accounts for it in accordance with the policy stated under property and equipment up to the date of change.

## **2.15 Revenue**

The Group recognises revenue under IFRS 15 using the following five steps model:

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

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

- Advisory fee income is recognized when the services are rendered under the applicable service contracts. There are no multiple performance obligations and no corresponding asset or liability is recorded against the fulfilment of the obligation.
- Brokerage commission is recognized when the deal is executed and is recognized net of Tadawul commission and discounts allowed to customers. The performance obligation for the Group is satisfied when the customer carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.
- Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") or a fixed management fee subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognised. The Group as a fund manager charges asset management fees to its Funds on account of management, administration, subscription and custody on the rates agreed under offer documents of each fund.
- Custodian fee income is recognized on an accrual basis.
- Dividend income is recognized when the right to receive dividend is established.
- Rental income on the investment property is recognised on the accrual basis over the lease term.
- Income from margin lending and murabaha financing are recognised using the effective commission rate basis of murabaha financing or when earning brokerage commission on margin lending.

## **2.16 Assets managed and held under fiduciary capacity**

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

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.17 Segment reporting**

(a) Business segment

A business segment is group of assets, operations or entities:

- which are engaged in revenue producing activities;
- results of whose operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information for which is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

**2.18 Employees' termination benefits**

The Group provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on an independent actuarial valuation, in accordance with the requirements of IAS 19 "Employee Benefits" using projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in consolidated statement of comprehensive income and are included in other reserves in the consolidated statement of changes in shareholders' equity and in the consolidated statement of financial position.

**2.19 Zakat and income tax**

Zakat and income taxes are presented in the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Under Saudi Arabian Zakat and Income tax laws, zakat and income taxes are the liabilities of the shareholders. Zakat is computed on the higher of share of equity or net income attributable to Saudi shareholders of the parent company. Income taxes are computed on the share of net income for the year attributable to the foreign shareholders of the parent company. Zakat and income tax are charged to the statement of income.

The Group also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

**2.20 Accrued expenses and other liabilities**

Liabilities are recorded for amounts to be paid in the future for goods purchased or services received, whether billed by the supplier or not.

**2.21 Provisions**

Provisions are recognized when; the Group has a present legal or constructive obligation 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 the amount can be reliably estimated.

**2.22 Leases**

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**Lease liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

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

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding consolidated statement of income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of right-of-use asset reduced to zero.

**Right-of-use assets**

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

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

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

**Lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**Short-term and low value 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 consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

**2.23 Value added tax (VAT)**

The Group is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales/services and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and a liability.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**2.24 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.

**3 New standards and interpretations issued but not yet effective**

The new standards and amendments to existing standards and interpretations, which are effective for annual periods beginning on or after January 1, 2022 have not been early adopted and have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company.

**4 Cash and cash equivalents**

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash in hand	-	5,000
Cash at bank	<b>178,582</b>	590,236
	<b>178,582</b>	595,236

**5 Accounts receivable, prepayments and other assets, net**

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
Prepayments and advances	<b>10,133,546</b>	4,001,758
Accrued management fees	<b>6,284,780</b>	4,075,803
Accrued income from assets managed and held under fiduciary capacity	<b>5,858,607</b>	9,440,890
Accrued rental income	<b>4,542,000</b>	4,542,000
Accrued advisory fee	<b>3,548,128</b>	1,239,128
Short-term advance to customers	<b>2,049,308</b>	49,098,235
Brokerage fee receivable	<b>608,316</b>	872,726
Security deposits	<b>199,428</b>	189,123
Unallocated margin advance (Note 5.1)	-	4,716,000
Other	<b>1,067,945</b>	1,096,674
	<b>34,292,058</b>	79,272,337
Impairment allowance for credit losses	<b>(1,080,000)</b>	(780,000)
	<b>33,212,058</b>	78,492,337

**5.1** During the previous year, the Group had a portion of unallocated margin advance that was approved and allocated to the respective clients subsequent to the period end.

Movement in impairment allowance for credit losses is as follows:

	<b>2021</b>	<b>2020</b>
Balance as at January 1	<b>780,000</b>	2,010,000
Provided/(utilised) during the year	<b>300,000</b>	(1,230,000)
<b>Balance as at December 31</b>	<b>1,080,000</b>	780,000

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**6 Receivable against margin lending and murabaha financing**

The Group extends margin lending facilities (trade limits and murabaha based margin lending contracts) to its customers to invest in the Saudi Exchange and investment funds. These facilities have tenure up to a maximum period of one year.

**7 Related party matters**

In the ordinary course of its activities, the Group transacts business with related parties. Related parties include associate and affiliated companies; funds managed by the Group; the Board of Directors; and key management personnel. Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Group.

	<b>2021</b>	<b>2020</b>
<b>7.1 Significant related party transactions</b>		
Advisory fee on issuance of Dar Al Arkan Sukuk	-	750,000
Expenses paid on behalf of the Group, net	<b>30,000</b>	15,000
<b>7.2 Compensation paid to key management personnel</b>		
Salaries and other employee-related benefits	<b>18,732,043</b>	15,640,388

**8 Intangible assets**

	<b>2021</b>	<b>2020</b>
<b>Cost:</b>		
Balance as at January 1	<b>5,800,220</b>	4,775,567
Additions during the year	<b>1,168,387</b>	1,024,653
<b>Balance as at December 31</b>	<b>6,968,607</b>	5,800,220
<b>Accumulated amortisation:</b>		
Balance as at January 1	<b>5,588,045</b>	4,516,256
Charge for the year	<b>562,158</b>	1,071,789
<b>Balance as at December 31</b>	<b>6,150,203</b>	5,588,045
<b>Net book value</b>	<b>818,404</b>	212,175



**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals unless otherwise stated)

**9 Property and equipment, net**

	2021						
	Furniture and fixtures	Office equipment	Vehicles	Computer hardware	Capital work in progress	Buildings (ROU)	Total
<b>Cost</b>							
Balance as at January 1	6,662,221	110,012	458,780	3,171,695	175,000	10,193,066	20,770,774
Additions during the year	671,775	-	-	1,022,968	2,025,000	2,046,439	5,766,182
<b>Balance as at December 31</b>	<b>7,333,996</b>	<b>110,012</b>	<b>458,780</b>	<b>4,194,663</b>	<b>2,200,000</b>	<b>12,239,505</b>	<b>26,536,956</b>
<b>Accumulated depreciation</b>							
Balance as at January 1	3,409,617	103,074	444,191	1,579,929	-	2,611,393	8,148,204
Charge for the year	437,549	3,338	5,120	562,839	-	2,650,423	3,659,269
<b>Balance as at December 31</b>	<b>3,847,166</b>	<b>106,412</b>	<b>449,311</b>	<b>2,142,768</b>	<b>-</b>	<b>5,261,816</b>	<b>11,807,473</b>
<b>Net book value</b>	<b>3,486,830</b>	<b>3,600</b>	<b>9,469</b>	<b>2,051,895</b>	<b>2,200,000</b>	<b>6,977,689</b>	<b>14,729,483</b>
	2020						
	Furniture and fixtures	Office equipment	Vehicles	Computer hardware	Capital work in progress	Buildings (ROU)	Total
<b>Cost</b>							
Balance as at January 1	3,662,234	106,412	458,780	2,875,607	-	-	7,103,033
Additions during the year	2,999,987	3,600	-	296,088	175,000	10,193,066	13,667,741
Balance as at December 31	6,662,221	110,012	458,780	3,171,695	175,000	10,193,066	20,770,774
<b>Accumulated depreciation</b>							
Balance as at January 1	3,338,386	92,920	439,071	1,203,375	-	-	5,073,752
Charge for the year	71,231	10,154	5,120	376,554	-	2,611,393	3,074,452
Balance as at December 31	3,409,617	103,074	444,191	1,579,929	-	2,611,393	8,148,204
<b>Net book value</b>	<b>3,252,604</b>	<b>6,938</b>	<b>14,589</b>	<b>1,591,766</b>	<b>175,000</b>	<b>7,581,673</b>	<b>12,622,570</b>

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

The movement in right of use assets (Buildings) is as follows:

	2021	2020
Opening	7,581,673	-
Additions during the year	2,046,439	10,193,066
Depreciation charge for the year	<u>(2,650,423)</u>	<u>(2,611,393)</u>
Closing	<u>6,977,689</u>	<u>7,581,673</u>

The consolidated statement of income includes the following amounts related to leases:

		<u>As at December 31,</u>	
	Note	2021	2020
Depreciation charge of right of use assets		2,650,423	2,611,393
Expense relating to short term leases	19	102,809	353,805
Finance cost		203,243	125,071

**10 Investment in an associate**

	Nature	Principle activity	Place of incorporation	<u>As at December 31,</u>	
				2021	2020
Al Khair Capital (Dubai) Ltd ("ACD")	Associate	Advisory services & asset management	UAE	<u>13,289,578</u>	<u>13,688,683</u>

Movement in investment in an associate during the year is as follows:

	<u>As at December 31,</u>	
	2021	2020
Balance as at January 1	13,688,683	12,412,586
Share of results of an associate	<u>(399,105)</u>	<u>1,276,097</u>
<b>Balance as at December 31</b>	<u>13,289,578</u>	<u>13,688,683</u>

As per the latest financial statements of ACD, net assets and net (loss)/income as of and for the year ended December 31, 2021 amounts to SR 39.9 million (2020: SR 41.1 million) and (a loss of SR 1.3 million) (2020: income of SR 5.1 million), respectively.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**11 Investments in financial assets**

	Note	As at December 31,	
		2021	2020
<b>a) Financial assets at FVOCI:</b>			
Listed equities	a (i)	<b>2,732,299</b>	-
<b>b) Financial assets at FVSI:</b>			
Al Khair Capital Saudi Margin Lending Fund		<b>46,823,003</b>	50,819,147
Al Khair Capital Murabaha Fund		<b>23,892,266</b>	450,000
Baitk Liquidity Fund		<b>5,345,000</b>	5,260,350
Al Khair Capital Sukuk Plus Fund		<b>3,503,500</b>	4,408,722
Al Khair Aramco Private Fund		<b>1,022,187</b>	9,224,603
Al Khair Capital Saudi Equity Fund		<b>531,451</b>	2,973,808
Al Khair IPO Fund		<b>141,288</b>	1,597,220
<b>Total financial assets at FVSI</b>		<b>81,258,695</b>	74,733,850
<b>c) Financial assets at amortised cost:</b>			
Financial assets on long term basis	c (i)	<b>661,000,000</b>	661,000,000
Accrued income from investments at amortised cost		<b>10,135,385</b>	-
Less: credit loss allowance (ECL)	c (ii)	<b>(1,100,000)</b>	(500,000)
		<b>670,035,385</b>	660,500,000
Al Yusr Baitek Financing Fund		-	3,333,333
<b>Total financial assets at amortised cost</b>		<b>670,035,385</b>	663,833,333
<b>Total investments in financial assets</b>		<b>754,026,379</b>	738,567,183

a (i) During 2021, the Company has subscribed in a local initial public offering with an initial investment of SR 3.2 million. The management classified the listed equities investment at fair value through other comprehensive income.

c (i) During the year 2020, the Company entered into three business deals with three different counterparties amounting to SAR 245 million, SAR 240 million and SAR 176 million respectively and acquired rights to use real estate assets with a view to gain future economic benefit from these properties. Each contract is for a period of ten years with expected profit rates in range of 5% to 8% per annum based on the performance of the assets. The Company retains rights to exit from these deals at any time with full consideration paid back to the Company.

c (ii) The financial assets on long term basis are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

Presented below is the summary of the movement in investments:

	2021	2020
Balance as at January 1	<b>738,567,183</b>	132,770,197
Purchase of investments during the year	<b>26,656,700</b>	687,020,081
Disposal / redemption of investments during the year	<b>(21,121,658)</b>	(80,569,223)
Accrued income from investments at amortised cost	<b>10,135,385</b>	-
Credit loss allowance (ECL)	<b>(600,000)</b>	(500,000)
Realized gain on disposal of investments during the year	<b>184,447</b>	705,266
Changes in fair value	<b>204,322</b>	(859,138)
<b>Balance as at December 31</b>	<b>754,026,379</b>	738,567,183

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**12 Investment properties, net**

	<b>2021</b>	<b>2020</b>
<b>Cost:</b>		
Balance as at January 1	<b>151,450,000</b>	151,450,000
<b>Balance as at December 31</b>	<b>151,450,000</b>	151,450,000
<b>Accumulated depreciation:</b>		
Balance as at January 1	<b>24,469,527</b>	20,972,586
Charge for the year	<b>3,496,941</b>	3,496,941
<b>Balance as at December 31</b>	<b>27,966,468</b>	24,469,527
<b>Net book value</b>	<b>123,483,532</b>	126,980,473

Investment properties represent apartment buildings in two blocks having title deeds no. 710121024572 and 410120028126 within the territory of Al-Qasr project, located in Riyadh and occupying total area of 24,816 square meters, which were purchased during 2013 and sub-leased for rental. Management has performed internal valuation of investment properties as at December 31, 2021. The average fair value of the investment properties is SR 149 million (2020: SR 167.3 million).

The significant unobservable inputs used in the fair value measurements of investment properties categorised within Level 3 of the fair value hierarchy as at 31 December 2021 are as follows:

<b>Investment property</b>	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Description of valuation technique</b>
Apartment buildings	Discounted cash flow (DCF) & Income Capitalization	Expected development cost and developer profitability	The DCF approach is using a multiple year earnings forecast discounted and added to a residual value for earnings after the forecast period. Market value is assessed under DCF approach as the property has a continuous inflow of cash till the life of the assets. Income Capitalization approach allows investors to estimate the value of a property based on the income the property generates. It's used by taking the net operating income of the rent collected and dividing it by the capitalization rate.

**13 Accrued expenses and other liabilities**

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accrued liabilities	<b>3,371,207</b>	1,339,609
Accrued social security payable	<b>393,212</b>	313,171
VAT output	<b>594,551</b>	302,000
Other	<b>1,901</b>	8,364
	<b>4,360,871</b>	1,963,144

**14 Lease liabilities**

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
14.1 The breakup of lease liabilities is as follows;		
Current	<b>2,927,522</b>	2,644,492
Non-current	<b>3,474,266</b>	4,407,757
	<b>6,401,788</b>	7,052,249

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**14.2** The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	<u>As at December 31,</u>	
	<b>2021</b>	<b>2020</b>
Future lease payments	<b>6,211,222</b>	6,874,409
Discounting impact at incremental borrowing rate	<b>190,566</b>	177,840
	<b>6,401,788</b>	7,052,249

**14.3** The total cash outflow for leases during the year was SR 2,731,043 (2020: SR 3,243,666).

**15 Provision for zakat and income tax**

15.1 The significant components of zakat base are principally comprised of the following:

	<u>As at December 31,</u>	
	<b>2021</b>	<b>2020</b>
<b><u>Zakat Base</u></b>		
Shareholders' equity - beginning of the year	<b>1,009,522,805</b>	995,787,454
Provisions	<b>11,985,182</b>	9,680,178
Lease liabilities – Current	<b>2,927,522</b>	2,644,492
Lease liabilities - Non- Current	<b>3,474,266</b>	4,407,757
Property and equipment and investment properties, net	<b>(139,031,419)</b>	(139,815,218)
Receivables against margin lending	<b>(112,475,000)</b>	(61,389,000)
Investments	<b>(758,179,676)</b>	(751,479,769)
Subtotal zakat base	<b>18,223,679</b>	59,835,894
Saudi shareholding percentage	<b>99.44%</b>	99.44%
Zakat base attributable to Saudi shareholders of the parent company	<b>18,223,679</b>	59,498,899
Zakat on zakat base (A)	<b>467,103</b>	1,537,895
Adjusted profit based on shareholding change	<b>22,470,900</b>	19,263,097
Estimated zakat on adjusted profit attributable to Saudi shareholders of the parent company (B)	<b>561,773</b>	478,865
Estimated zakat for the year (A + B)	<b>1,028,876</b>	2,016,760

The zakat is calculated at 2.578% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

<b>Taxable Income</b>	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
Saudi and GCC shareholder(s) before change in shareholding	-	-
Saudi and GCC shareholder(s) after change in shareholding	<b>22,584,809</b>	19,154,608
Taxable income	<b>22,584,809</b>	19,154,608
Foreign shareholding percentage	<b>0.56%</b>	0.56%
Non-GCC shareholder(s) before change in shareholding	-	-
Non-GCC shareholder(s) after change in shareholding	<b>118,198</b>	108,490
Taxable income of ultimate foreign shareholders	<b>118,198</b>	108,490
Less: payment against provisions	<b>(4,289)</b>	(7,308)
Losses brought forward up to extent of 25% of adjusted profit	<b>(28,477)</b>	(25,296)
Non-Saudi shareholder share of used amount of the provisions	-	(10,856)
Taxable income of ultimate foreign shareholders after adjustment of brought forward losses up to extent of 25%	<b>85,432</b>	65,030
Income tax calculated at 20%	<b>17,086</b>	13,006

**15.2** Movement in provision for zakat and income tax during the year is as follows:

	<b>Company</b>		<b>ACREF</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Balance as at January 1	<b>2,029,765</b>	1,126,926	<b>13,001</b>	-	<b>2,042,766</b>	1,126,926
Prior period provision adjusted with equity	-	-	-	67,892	-	67,892
Provision for the current year	<b>1,045,962</b>	2,029,766	<b>14,000</b>	13,000	<b>1,059,962</b>	2,042,766
Provision for prior years	<b>6,163</b>	251,969	<b>(5,217)</b>	10,392	<b>946</b>	262,361
Payments during the year	<b>(2,035,930)</b>	(1,378,896)	<b>(7,784)</b>	(78,283)	<b>(2,043,714)</b>	(1,457,179)
Balance as at December 31	<b>1,045,960</b>	2,029,765	<b>14,000</b>	13,001	<b>1,059,960</b>	2,042,766

**15.3 Status of assessment**

The Group has received zakat and tax assessment by ZATCA for the year ended 31 December 2018 aggregating to SR 3.44 Million. The Group has filed an objection against this assessment. This is expected to be closed during 2022. Since financial statements cover one full Gregorian year, the Group uses a rate of 2.585% for zakat calculation. The Group has submitted its zakat and tax declaration to ZATCA and paid the due for all years up to 2020.

**16 Employees' termination benefits**

**16.1** The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	<b>15,757,905</b>	11,966,693

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**16.2** Movement in the provision for employees' termination benefits is as follows:

	<b>2021</b>	<b>2020</b>
Balance as at January 1	<b>11,966,693</b>	8,967,819
Charge to statement of income – current service and interest cost	<b>2,487,129</b>	2,395,737
Charge to statement of other comprehensive income – experience adjustments and changes in financial assumptions	<b>2,065,594</b>	670,778
Payments during the year	<b>(761,511)</b>	(67,641)
<b>Balance as at December 31</b>	<b>15,757,905</b>	11,966,693

**16.3** The significant assumptions used in determining employees' termination benefits are shown below:

	<u>As at December 31,</u>	
	<b>2021</b>	<b>2020</b>
Discount rate	<b>2.40%</b>	2.00%
Future salary increases	<b>1.45%</b>	1.05%

**16.4** A quantitative sensitivity analysis for significant assumptions on the employees' termination benefits are shown below:

	<u>As at December 31,</u>	
	<b>2021</b>	<b>2020</b>
<b>Discount rate</b>		
0.5 % increase	<b>(589,025)</b>	(479,433)
0.5% decrease	<b>634,793</b>	519,198
<b>Future salary increases</b>		
0.5% increase	<b>637,704</b>	345,876
0.5% decrease	<b>(597,173)</b>	(323,837)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of reporting period.

**17 Share capital**

As at December 31, 2021, the authorized, issued and fully paid up share capital of the Group was Saudi Riyals 1,000 million divided into 100 million shares (December 31, 2020: 100 million shares) with a nominal value of Saudi Riyals 10 each.

**18 Statutory reserve**

In accordance with the Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of 10% of net income until the reserve equals at least 30% of the share capital. This reserve is not available for distribution. Accordingly, the Company has transferred 10% of its net income for the current year to the statutory reserve account.

**19 Other reserves**

	<b>2021</b>	<b>2020</b>
Balance as at January 1,	<b>(3,281,213)</b>	(2,490,984)
Change in value of investment at FVOCI	<b>32,399</b>	(119,451)
Re-measurement of employees' termination benefits	<b>(2,065,594)</b>	(670,778)
<b>Balance as at December 31,</b>	<b>(5,314,408)</b>	(3,281,213)

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY****(A Saudi Closed Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

**20 Assets held in trust or in a fiduciary capacity**

The Group holds clients' money in omnibus accounts at a local bank to carry out its dealing, managing and custodial activities. As at December 31, 2021, the clients' cash accounts held by the Group amounted to SR 9.621 billion (2020: SR 11.334 billion). Consistent with the accounting policy mentioned in note 2.16, such balances are not included in the Group's consolidated financial statements as these are held in fiduciary capacity.

**21 General and administrative expenses**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Marketing and promotion expenses	<b>5,945,166</b>	4,288,927
Telecommunications	<b>2,624,680</b>	1,468,302
VAT and withholding tax expenses	<b>2,404,353</b>	659,668
Membership and subscription	<b>1,677,000</b>	1,076,277
Professional and consulting	<b>1,075,438</b>	637,670
Bank charges	<b>376,577</b>	335,718
Travel and advertising	<b>342,731</b>	559,498
Repairs and maintenance	<b>295,365</b>	101,188
Rental and premises related expenses	<b>102,809</b>	353,805
Other	<b>1,743,499</b>	1,227,938
	<b>16,587,618</b>	10,708,991

**22 Earnings per share**

Earnings per share for the years ended December 31, 2021 and 2020 has been computed by dividing the income from operations and net income for the year by weighted average number of shares outstanding during the year.

**23 Capital commitments and contingencies**

Aside from the details in the status of zakat and income tax assessment (note 15.3), no capital commitments or contingencies are outstanding as at the reporting date.

**24 Segment information**

The Group operates and conducts its business activities in the Kingdom of Saudi Arabia. Before partial disposal of its subsidiary Al Khair Capital (Dubai) Ltd, the business activities were also conducted in United Arab Emirates. However, this investment is currently accounted for as an associate. For management purposes, the Group is organized into business lines based on services provided and has the following reportable segments:

- a. **Asset Management** - this includes the management of conventional assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates and custody.
- b. **Brokerage and advisory** - this includes the brokerage and execution services by providing access to Saudi Arabian and International markets and the extension of margin facilities for these markets for customers.
- c. **Investments** - this includes business line such as investment banking, proprietary investments and real estate investments.
- d. **Other** - this includes other business lines such as corporate development and other control and support functions.



**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

Selected financial information as at December 31 and for the year then ended, summarized by business segments, is as follows:

	Asset management	Brokerage and advisory	Investments	Other	Total
<b><u>December 31, 2021</u></b>					
Total assets	54,887,419	122,747,667	848,518,485	26,059,445	1,052,213,016
Total liabilities	-	-	-	(27,580,524)	(27,580,524)
Total income	42,171,658	17,538,758	35,481,267	-	95,191,683
Total expenses	(24,040,489)	(13,168,362)	(25,968,294)	(13,810,748)	(76,987,893)
Income before zakat and tax	18,131,169	4,370,396	9,512,973	(13,810,748)	18,203,790
<b><u>December 31, 2020</u></b>					
Total assets	131,328,777	68,708,460	814,321,379	18,189,041	1,032,547,657
Total liabilities	-	-	-	(23,024,852)	(23,024,852)
Total income	40,877,054	10,948,229	25,826,800	-	77,652,083
Total expenses	(24,818,538)	(6,797,213)	(17,319,714)	(11,860,989)	(60,796,454)
Income before zakat and tax	16,058,515	4,151,016	8,507,087	(11,860,989)	16,855,629

The Group is organised into one main geographical unit based on its products and services as well as customers' profiles, as follows:

- a. **Saudi Arabia** - the main geographical segment to focus on local customers and operate as a supervisory unit for other geographical segment. Main activities of this segment include advisory, arrangement, brokerage, custody, asset management and financial investments.

Management monitors the results of its operations on a consolidated basis, based on customers' profiles for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between geographical segments were on an arm's length basis in a manner similar to transactions with third parties.

## 25 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable 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 prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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

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

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

- Quoted market prices / Net Asset Value or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**

**(A Saudi Closed Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

**25.1 Accounting and fair values classifications**

Accounting classifications and fair values	Carrying amount				Fair values			
	FVIS	FVOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
<b>December 31, 2021</b>								
<b>Financial assets</b>								
<b>Financial assets carried at fair value</b>								
Investment in mutual funds	81,258,695	-	-	81,258,695	33,413,505	47,845,190	-	81,258,695
Investment in listed equities	-	2,732,299	-	2,732,299	2,732,299	-	-	2,732,299
<b>Financial assets not carried at fair value</b>								
Cash and cash equivalents	-	-	178,582	178,582	-	-	178,582	178,582
Accounts receivable and other current assets	-	-	23,078,512	23,078,512	-	-	23,078,512	23,078,512
Receivable against margin lending	-	-	112,475,000	112,475,000	-	-	112,475,000	112,475,000
Financial assets on long term basis	-	-	670,035,385	670,035,385	-	-	670,035,385	670,035,385
	<b>81,258,695</b>	<b>2,732,299</b>	<b>805,767,479</b>	<b>889,758,473</b>	<b>36,145,804</b>	<b>47,845,190</b>	<b>805,767,479</b>	<b>889,758,473</b>
<b>Financial liabilities</b>								
<b>Financial liabilities not carried at fair value</b>								
Lease liabilities	-	-	6,401,788	6,401,788	-	-	6,401,788	6,401,788
Accrued expenses and other liabilities	-	-	4,360,871	4,360,871	-	-	4,360,871	4,360,871
	-	-	<b>10,762,659</b>	<b>10,762,659</b>	-	-	<b>10,762,659</b>	<b>10,762,659</b>
<b>December 31, 2020</b>								
<b>Financial assets</b>								
<b>Financial assets carried at fair value</b>								
Investment in mutual funds	74,733,850	-	-	74,733,850	14,690,099	60,043,751	-	74,733,850
<b>Financial assets not carried at fair value</b>								
Cash and cash equivalents	-	-	595,236	595,236	-	-	595,236	595,236
Investment in Al Yusr Baitek Financing Fund	-	-	3,333,333	3,333,333	-	-	3,333,333	3,333,333
Accounts receivable and other current assets	-	-	74,490,579	74,490,579	-	-	74,490,579	74,490,579
Receivable against margin lending	-	-	61,389,000	61,389,000	-	-	61,389,000	61,389,000
Financial assets on long term basis	-	-	660,500,000	660,500,000	-	-	660,500,000	660,500,000
	<b>74,733,850</b>	-	<b>800,308,148</b>	<b>875,041,998</b>	<b>14,690,099</b>	<b>60,043,751</b>	<b>800,308,148</b>	<b>875,041,998</b>
<b>Financial liabilities</b>								
<b>Financial liabilities not carried at fair value</b>								
Lease liabilities	-	-	7,052,249	7,052,249	-	-	7,052,249	7,052,249
Accrued expenses and other liabilities	-	-	1,963,144	1,963,144	-	-	1,963,144	1,963,144
	-	-	<b>9,015,393</b>	<b>9,015,393</b>	-	-	<b>9,015,393</b>	<b>9,015,393</b>

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

The financial assets and financial liabilities included in the above table that are carried at amortised cost; their carrying values are reasonably approximates to their fair value.

**25.2 Fair valuation techniques**

The following tables show the valuation techniques used in measuring Level 2 fair values.

Type	Valuation techniques
Financial assets held at FVSI	Valuation is based on the NAV received from fund managers.
Inter-relationship between significant observable inputs and fair value measurement.	The estimated fair value would increase (decrease) if there is a change in the inputs used for valuation as discussed above.

**25.3 Transfers between level 1 and 2**

There have been no transfers between Level 1 and Level 2 during the reporting periods.

**26 Financial risk management**

The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability.

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

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

- Credit risk
- Market risk
- Liquidity risk

**26.1 Credit risk**

Credit risk is the risk that a customer of the Group will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables and maintaining accounts with reputable, creditworthy banks. The Group has established policies and procedures for timely recovery of trade debts. With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying specific controls in accordance with the Group policies and procedures. Any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Group's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the margin lending.

Other assets mainly comprise of accrued income and receivables relate to investments at amortised cost. The accrued income mainly relates to amounts due from the counterparties on quarterly basis and is settled within a short period of time. The Group believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Group. Hence, currently the Group is not exposed to any significant credit risk.

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**Credit risk exposure**

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Financial assets on long term basis	<b>670,035,385</b>	660,500,000
Investment in mutual funds	<b>81,258,695</b>	78,067,183
Investment in listed equities	<b>2,732,299</b>	-
Account receivables and other assets	<b>23,078,512</b>	74,138,208
Receivable against margin lending	<b>112,475,000</b>	61,389,000
Cash and bank balance	<b>178,582</b>	595,236
	<b>889,758,473</b>	874,689,627

**26.1.1 Credit risk measurement**

The assessment of credit risk of a financial assets carried at amortised requires further estimations of credit risk using Expected Credit Loss (ECL) which is derived by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The impact of ECL on the financial assets of the Company is immaterial as significant exposure of the Group is receivable from related parties which are payable on demand and expected to be settled in the next 12 months. Other exposure includes placement with banks and financial institutions which has a sound credit rating as at the reporting date and therefore the Group considers that it has low credit risk. ECL for receivables against margin lending finance is Nil as the Group collateralise their margin financing facilities by 200% and they are liquidated once the collateral value decrease to 135%, hence Group has zero LGD against margin financing facilities.

The financial assets on long term basis are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management considers low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term.

**26.1.2 Concentration of credit risk**

The concentration of credit risk is the risk that the Group is exposed to if they invested all their assets in one sector or one industry. The Group provides margin lending financing to individual customers inside the Kingdom of Saudi Arabia. The Group also has a mix of investments in equities, money market and in other forms, both inside and outside the Kingdom of Saudi Arabia to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

At December 31, the credit risk exposure for financial assets by geographic location is as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Inside Kingdom of Saudi Arabia	<b>225,083,540</b>	204,748,737
Outside Kingdom of Saudi Arabia	<b>664,674,933</b>	669,940,890
	<b>889,758,473</b>	874,689,627

At December 31, the credit risk exposure for financial assets by type of customer is as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Corporates or financial institutions	<b>775,920,662</b>	811,924,563
Individuals	<b>113,837,811</b>	62,765,064
	<b>889,758,473</b>	874,689,627

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**26.2 Market risk**

**Interest rate risk**

Interest rate risk arises from the possibility that the changes in interest rates will affect either the fair values or the future cash flows of the financial instruments. The Group's interest rate risks arise mainly from its receivables against murabaha financing and murabaha deposits, which are subject to re-pricing on a regular basis. Management believes that the interest rate risk to the Group is not significant.

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and the Group is not significantly exposed to currency risk.

**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 Group is exposed to market risk with respect to its investments in listed equities and mutual funds. The Group limits market risks by diversification of its investments.

Management's best estimate of the effect on consolidated statements of income and comprehensive income for a year due to a reasonably possible change in NAV and prices of listed equity securities, with all other variables held constant is indicated in the table below. An equivalent decrease shown below would have resulted in an equivalent, but opposite, impact.

Variable	Change in NAV%	Effect on the consolidated statement of income for the years ended	
		December 31, 2021	December 31, 2020
Net Asset Value (NAV)	±5	4,062,935	3,736,693
	±10	8,125,869	7,473,385

  

Variable	Change in Value%	Effect on the consolidated statement of comprehensive income for the years ended	
		December 31, 2021	December 31, 2020
Prices of listed securities	±5	136,615	-
	±10	273,230	-

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals unless otherwise stated)

**26.3 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 Group's liquidity management process is as follows:

- a) Day-to-day funding, managed by the finance department to ensure that liquidity 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

	2021		2020	
	Due within 1 year	Due after 1 year	Due within 1 year	Due after 1 year
Lease liabilities	2,927,522	3,474,266	2,644,492	4,407,757
Accrued expenses and other liabilities	4,360,871	-	1,963,144	-
<b>Total</b>	<b>7,288,393</b>	<b>3,474,266</b>	4,607,606	4,407,757

**27 Regulatory capital requirements and capital adequacy ratio:**

In accordance with Capital Market Authority (the CMA) circular no. X/6/11098/14 dated November 19, 2014 read in conjunction with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio as at December 31, 2021 and 2020:

	Amounts in SAR '000'	
	2021	2020
<b>Capital base:</b>		
Tier 1 capital	1,023,783	1,009,311
Tier 2 capital	32	-
Total capital base	1,023,815	1,009,311
<b>Minimum capital requirement:</b>		
Market risk	71,870	23,602
Credit risk	610,052	640,798
Operational risk	19,247	15,199
Total minimum capital required	701,169	679,599
<b>Capital adequacy ratio:</b>		
Tier 1 capital ratio (time)	1.46	1.49
Tier 2 capital ratio (time)	0.00005	0.00
Total capital ratio (time)	1.46	1.49
<b>Surplus in Capital</b>	<b>322,646</b>	329,712

**AL KHAIR CAPITAL SAUDI ARABIA COMPANY**

**(A Saudi Closed Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals unless otherwise stated)

- (a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2021 to be submitted and December 31, 2020 as submitted to CMA.
- (b) The capital base consists of Tier 1 and Tier 2 capital as per Article 4 and 5 of the Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
- (c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
- (d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website ([www.alkhaircapital.com.sa](http://www.alkhaircapital.com.sa)). However, such information is not subject to review or audit by the external auditors of the Company.

**28 Subsequent events**

There have been no significant subsequent events after the date of consolidated statement of financial position until the date of approval of these consolidated financial statements.

**29 Impacts of COVID-19 on the Group**

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing a "multiple waves" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

Management believes that there is minimal impact on the Company from COVID-19 pandemic. The only negative impact was on the Investment in an associate of the Group due to the outbreak of the pandemic. The Group will continue to follow the Government's policies and advice and, in parallel, the Group will do utmost to continue operations in the best and safest way possible without jeopardising the health and safety of its employees. The Group's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.