ALINMA INVESTMENT COMPANY

(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 AND
<u>INDEPENDENT AUDITOR'S REPORT</u>

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
Fax : +966 11 278 2883

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Alinma Investment Company
(A Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Alinma Investment Company,** a Closed Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

Those charged with governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

For Dr. Mohamed Al-Amri & Co.

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت: ١٠١٠٤٣٢٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on 19 Sha'ban 1443 (H)
Corresponding to: 22 March 2022 (G)

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	**163,787**	94,249
Trade and other receivables	6	**1,352,306**	1,001,618
Investments at fair value through profit or loss - FVTPL	7	**27,989**	30,489
Prepayments		**2,314**	2,437
		1,546,396	1,128,793
Non-current assets			
Investments at fair value through profit or loss - FVTPL	7	**509,523**	431,897
Investments at fair value through other comprehensive income – FVOCI	8	**17,426**	32,655
Investment at amortized cost		**4,849**	4,891
Property and equipment	9	**16,647**	13,519
Intangible assets	10	**5,037**	7,797
		553,482	490,759
TOTAL ASSETS		**2,099,878**	1,619,552
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Short term financing	12	**50,388**	-
Accrued expenses and other liabilities	13	**67,870**	67,603
Contract liabilities	18(c)	**51,316**	48,168
Lease liabilities	14	**2,529**	2,204
Provision for zakat	15	**47,380**	37,078
		219,483	155,053
Non-current liability			
Employees' end of service benefits	16	**24,749**	19,762
Lease liabilities	14	**7,691**	8,155
		32,440	27,917
TOTAL LIABILITIES		**251,923**	182,970
SHAREHOLDER'S EQUITY			
Share capital	17	**500,000**	250,000
Share capital under registration		**-**	250,000
Statutory reserve	4(s)	**164,756**	123,539
Retained earnings		**1,183,992**	813,033
Reserve for investments at FVOCI		**(22)**	(24)
Remeasurement reserve of employee end of service benefits		**(771)**	34
TOTAL EQUITY		**1,847,955**	1,436,582
TOTAL LIABILITIES AND EQUITY		**2,099,878**	1,619,552

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2021**	31 December 2020
INCOME			
Revenue	18	**570,795**	459,147
Net gain from investments at FVTPL	7.1	**17,206**	7,782
Gain from investments at FVOCI		**1,309**	1,690
Other income		**8,723**	12,924
TOTAL INCOME		**598,033**	481,543
OPERATING EXPENSES			
Salaries and employees' related expenses		**(94,846)**	(78,726)
Rent and premises expenses		**(753)**	(1,395)
Finance cost		**(1,978)**	(2,069)
Depreciation and amortization expense		**(5,897)**	(5,419)
General and administrative expenses	19	**(22,390)**	(20,046)
Allowance for expected credit loss allowance		**(12,613)**	(14,259)
TOTAL OPERATING EXPENSES		**(138,477)**	(121,914)
Profit before zakat		**459,556**	359,629
Zakat charge	15	**(47,380)**	(37,763)
PROFIT FOR THE YEAR		**412,176**	321,866

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2021**	31 December 2020
PROFIT FOR THE YEAR		**412,176**	321,866
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss:			
Gain on investments at FVOCI	8.1	**2**	3
Re-measurement loss on end of service benefits	16 (a)	**(805)**	(959)
Other comprehensive loss for the year		**(803)**	(956)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**411,373**	320,910

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Share capital	Share capital under registration	Statutory reserve	Retained earnings	Fair value reserve – FVOCI	Reserve on re-measurement of end of service benefits	Total
1 January 2020	250,000	-	91,352	773,354	(27)	993	1,115,672
Profit for the year	-	-	-	321,866	-	-	321,866
Other comprehensive loss for the year	-	-	-	-	3	(959)	(956)
Total comprehensive income for the year	-	-	-	321,866	3	(959)	320,910
Transfer to statutory reserve	-	-	32,187	(32,187)	-	-	-
Share capital under registration (Note 17)	-	250,000	-	(250,000)	-	-	-
31 December 2020	**250,000**	**250,000**	**123,539**	**813,033**	**(24)**	**34**	**1,436,582**
Profit for the year	-	**-**	-	**412,176**	**-**	**-**	**412,176**
Other comprehensive loss for the year	-	**-**	-	**-**	**2**	**(805)**	**(803)**
Total comprehensive income for the year	-	**-**	-	**412,176**	**2**	**(805)**	**411,373**
Transfer to statutory reserve	-	**-**	**41, 217**	**(41,217)**	**-**	**-**	**-**
Transfer to share capital (Note 17)	**250,000**	**(250,000)**	**-**	**-**	**-**	**-**	**-**
31 December 2021	**500,000**	**-**	**164,756**	**1,183,992**	**(22)**	**(771)**	**1,847,955**

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

ALINMA INVESTMENT COMPANY
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2021**	31 December 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before zakat		**459,556**	359,629
Adjustments:			
Depreciation	9	**3,137**	2,782
Amortization	10	**2,760**	2,637
Finance cost		**1,979**	2,069
Net changes in investment at FVTPL		**(17,206)**	(7,782)
Net change in investments at FVOCI		**(1,307)**	(1,690)
Net change in investment at amortized cost		**42**	-
End of service benefits expense	16 (a)	**4,476**	3,779
Allowance for expected credit loss		**12,632**	14,259
		466,069	375,683
Changes in operating assets and liabilities:			
Trade and other receivables		**(363,320)**	(438,679)
Prepayments		**123**	364
Contract liability		**3,148**	120
Accrued expenses and other liabilities		**267**	1,144
Cash generated / (used in) from operations		**106,287**	(61,368)
End of service benefits paid	16 (a)	**(294)**	(1,730)
Zakat paid	15	**(37,078)**	(27,372)
Net cash generated / (used in) from operating activities		**68,915**	(90,470)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to investments at FVTPL, net		**(82,154)**	(124,324)
Additions to investments at FVOCI, net		**-**	(7,350)
Additions to Investment at amortized cost, net		**-**	(4,891)
Proceeds from sale of investments at FVTPL		**24,234**	-
Proceeds from sale of investments at FVOCI		**16,538**	-
Addition to property and equipment		**(4,305)**	(3,575)
Net cash used in investing activities		**(45,687)**	(140,140)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term financing, net		**50,388**	(100,633)
Lease payments		**(2,763)**	(1,663)
Finance cost paid		**(1,315)**	(2,069)
Net cash used in financing activities		**46,310**	(104,365)
Net change in cash and cash equivalents		**69,538**	(334,975)
Cash and cash equivalents as at 1 January		**94,249**	429,224
Cash and cash equivalents as at 31 December	5	**163,787**	94,249

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

1. GENERAL

Alinma Investment Company (the "Company") is a Saudi Closed Joint Stock Company established pursuant to ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009G). The Company is a wholly owned subsidiary of Alinma Bank, a Saudi Joint Stock Company (the "Parent Company") which is also the ultimate controlling party of the Company.

The principal activities of the Company are to deal as principal, agent, managing, arranging, advising and custody as licensed by the Capital Market Authority ("CMA") under license number 09134-37 dated 23 Rabi Thani 1430H (corresponding to 19 April 2009).

The Company's registered office is located at:
Al-Anoud Tower, Building No. 2
King Fahad Road
P.O. Box 66333 Riyadh 11576
Kingdom of Saudi Arabia

The Company commenced providing investment services pursuant to commencement letter issued by CMA dated 2 Safar 1431H (corresponding to 17 January 2010G).

Covid-19 update

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread all regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The Company's performance is insignificantly affected due to the effect of Covid-19 on economic activities and sectors performances.

The Company does not foresee a going concern issue due to the above for at least 12 months after the reporting period. The Company will further continue to evaluate the nature and extent of the impact on its operations and financial results.

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

These financial statements have been prepared on historical cost basis and on a going concern concept, except for the following items (refer to individual accounting policies for details):

- Financial assets measured at fair value through profit or loss;
- Financial assets measured at fair value through other comprehensive income; and
- Employee's end of service benefits measured at present value of future obligations using projected unit credit method.

c) Functional and presentation currency

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

d) Financial year

The financial year of the Company commences on 1st January and ends on 31st December of each calendar year.

e) Use of estimates and judgment

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Useful lives, residual values, and depreciation method of property and equipment

The Company's management determines the estimated useful lives for property and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values, and depreciation method of property and equipment annually. Future depreciation expense would be adjusted where management believes that useful lives, residual values, and depreciation method differ from those used in previous years.

Amortization of intangible assets

The Company's management determines the estimated useful lives of intangible assets annually. Intangible assets with infinite useful lives are checked annually for impairment. Amortization is reviewed annually and adjusted where management believes that future estimates will differ from those used in previous years.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits and losses and/or cash flows.

Impairment of non-financial assets

The Company's management periodically reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognized in the statement of profit or loss.

Impairment losses on trade and other receivables

The Company measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit loss (ECL). The allowance for ECL on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

End of service benefits

The liabilities relating to defined benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of annual reporting year. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 16 to these financial statements.

Recognition and measurement of provisions

By their nature, the measurement of provisions depends upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Company's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, considering legal advice and other information available.

Leases

The determination of lease term for some lease contracts in which the company is a lessee, including whether the Company is reasonably certain to exercise lessee options and the determination of incremental borrowing rate used to measure the lease liabilities.

f) Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23 of these financial statements.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

3.1. New standards, interpretations and amendments effective in current year

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020 but they had no material impact on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

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

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

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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

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

3.2. New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

Standards	Title	Effective date
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 16	Property and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	Reference to Conceptual Framework	1 January 2022
IAS 1	Disclosure of Accounting Policies	1 January 2023
IAS 8	Definition of Accounting Estimates	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023

3.3. Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

The Company is yet to assess the impact of the above amendments in its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash in hand, cash with banks and short-term deposits with a maturity of less than three months, which are subject to an insignificant risk of changes in value.

b) Trade receivables

Trade and other receivables are initially recorded at fair value plus transaction costs. The fair value on acquisition is normally the transaction price. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method, less any impairment.

c) Portfolio financing receivables

Portfolio financing represent Shariah compliant products in the form of Murabaha agreements which are stated at amortized cost less allowance for credit losses.

Portfolio financing receivables are initially recognized when underlying asset is transferred to customers. They are derecognized when customers repay their obligations. The Company in the ordinary course of business holds shares as collateral to mitigate credit risk on such receivables.

d) Financial Instruments

i. Recognition and de-recognition

Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e., the date of on which the Company becomes a party to the contractual provision of the instrument). Regular way purchases or sales of the financial instruments require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Company becomes a party to the contractual provision in the market place.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

ii. Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost.
- fair value through profit or loss (FVTPL).
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All financial assets are initially measured at fair value adjusted for transaction costs, except for financial assets at FVTPL.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

i. Classification

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income ("FVOCI") – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss ("FVTPL").

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets *(continued)*

ii. Measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss as incurred.

Financial investments at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other, net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other, net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii. Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum year considered when estimating ECLs is the maximum contractual year over which the Company is exposed to credit risk.

Impairment of financial assets *(continued)*

Financial assets at fair value through other comprehensive income (FVOCI)

The Company recognizes 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

iv. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

v. Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset.

When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognized using the original EIR.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The financial liabilities are classified in the following measurement categories:

a) Those to be measured as financial liabilities at fair value through profit or loss, and
b) Those to be measured at amortized cost.

Measurement

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate year. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

Measurement(continued)

The Company's financial liabilities include trade and other payables, borrowings from related parties and accrued referral fees payable to Parent Company. The Company measures financial liabilities at amortized cost.

Offsetting financial instruments

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

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

e) Tangible and intangible assets

Property and equipment

Recognition and measurement

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Depreciation is charged to the statement of income, using the straight-line method, to allocate the costs of the related assets to their residual values over the estimated useful lives.

The estimated useful lives property and equipment for current and comparative periods are as follows:

Asset Category	**Useful life (years)**
Furniture and fixtures	5
Computer hardware	3 - 10
Office equipment	5

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition

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 the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost and not depreciated. Depreciation on Assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment and intangible assets. Finance costs, if any on borrowings to finance the construction of qualified assets are capitalized during the time period that is required to complete and prepare the asset for its intended use.

Intangible assets

Recognition and measurement
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. The useful lives of intangible assets are assessed to be either finite or infinite.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The intangible assets recognized by the Company and their useful economic lives are as follows:

	Useful life (years)
Computer Software	5-10

Derecognition

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in statement of profit or loss when the asset is derecognized.

Impairment of non-financial assets

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

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

f) Leases

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses is and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

g) Zakat

Zakat is provided for in the financial statements in accordance with Saudi Zakat, Tax and Customs Authority (the "ZATCA") laws and regulations. Zakat is charged to the statement of profit or loss. Additional zakat liabilities, if any, related to prior years' assessments arising from ZATCA are accounted for in the year in which the final assessments are finalized.

As the Company is a wholly owned subsidiary of Alinma Bank (the "Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is being filed by the Bank from year ended 31 December 2011 with the Zakat, Tax and Customs Authority (the "ZATCA").

h) Trade payables and accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

i) Provisions

Provisions are recognized in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event if it is probable that the Company will be required to settle these obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows to settle the present obligation, it's carrying amount is the present value of those cash flows.

When some or all economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured estimate.

j) Employee benefits

Short-term employee benefits

Liabilities for salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

The Company has end of service benefits which qualify as defined benefit plans. The employees are entitled for benefits based on length of service and last drawn salary, and computed in accordance with the provisions of the Saudi Arabian Labor and Workmen Law and the Company policy.

The liability for end of service benefits, being an unfunded plan, is determined using projected credit unit method with actuarial valuations being conducted at end of annual reporting years. The related liability recognized in statement of financial position is the present value of the end of service benefits obligation at the end of the reporting year.

The discount rate applied in arriving at the present value of the defined benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits are categorized as follows:

- Current service cost (increase in the present value of obligation resulting from employee service in the current year).
- Interest expense (calculated by applying the discount rate at the beginning of the year to the end of service benefits liability); and
- Re-measurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of income as the related compensation cost.

Re-measurement, comprising actuarial gains and losses, is recognized in full in the year in which they occur, in other comprehensive income without recycling to the profit or loss in subsequent year. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

k) Revenue recognition

- Brokerage commission is recognized when the deal is executed. Brokerage commission on local shares is recognized net of Tadawul commission and rebates allowed to the customers.
- Fee from managing assets (including mutual funds) is recognized over time as the services are rendered.
- Subscription fee is recognized upon subscription to the fund. These fees are recognized net of related expenses.
- Fee from investment banking services is recognized when the related services have been delivered to the customer, net of related expenses.
- Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.
- Income from margin financing facilities is recognized over the year of contract using effective interest rate.
- Custody fee is received upfront and amortized over the year of the service (deferred income).
- Dividend from investments is recognized when earned or publicly declared by the investee, and is presented together with net gain or loss on investments at fair value through profit and loss.
- Finance lease income is recognized over the term of the lease using the effective yield method.

Contract assets

A contract asset is the right to consideration in exchange for services provided to the customer. If the Company performs services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration.

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provided services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company delivers the goods or services under the contract.

l) Other income

Other income is recognized when the control of a certain service has been transferred to customers.

m) General and administrative expenses

Expenses are measured and recognized as a year cost at the time when they are incurred. Expenses related to more than one financial year are allocated over such years proportionately. All expenses, excluding direct costs are classified as general and administration expenses.

n) Assets held under fiduciary capacity

Assets under management:

The Company offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

Clients' cash accounts:

Clients' cash accounts are not treated as assets of the Company and accordingly are not included in these financial statements.

o) Foreign currency translations

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translations of foreign currency transactions are included in the statement of profit or loss.

p) Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

q) Contingent assets and contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

r) Share capital

Share capital represents the nominal value of shares that have been issued and paid.

s) Statutory reserve

Under the Company's By-Laws and the Companies Law the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

5. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash at bank – current accounts (note 11)	**149,197**	88,708
Cash in investment accounts	**14,590**	5,560
	163,787	94,268
Less: Allowance for expected credit losses	**-**	(19)
	163,787	94,249

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

6. TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Portfolio financing receivables	**930,809**	682,120
Asset management fee receivables	**371,054**	270,566
Other trade receivables	**72,661**	60,202
Trade receivables - gross	**1,374,524**	1,012,888
Less: Allowance for expected credit losses	**(27,606)**	(14,974)
Trade receivables – net	**1,346,918**	997,914
Due from related parties (note 11)	**3,235**	2,194
Other receivables	**2,153**	1,510
	1,352,306	1,001,618

The Company extends portfolio financing facilities to its customers to invest in the Saudi Stock Exchange and investment funds. These facilities represent Shariah compliant Murabaha financing and Margin lending which are collateralized by underlying equities and cash held in customer investment account amounting to SR 1,377 million as at 31 December 2021 (2020: SR 1,275 million). These facilities are extended up to a maximum period of one to six year and bear fixed commission rates.

The movement in allowance for expected credit losses ("ECL") during the year is as follows:

	31 December 2021	31 December 2020
As at 1 January	**14,974**	724
ECL allowance during the year	**12,632**	14,250
As at 31 December	**27,606**	14,974

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - FVTPL

	31 December 2021	31 December 2020
Listed equity shares (a)	**27,989**	30,489
Public managed funds (b)	**56,093**	58,459
Private managed funds (c)	**329,052**	277,545
Others (d)	**124,378**	95,893
	537,512	462,386

The investments at FVTPL are presented in the statement of financial position as follows:

	31 December 2021	31 December 2020
Current	**27,989**	30,489
Non-current	**509,523**	431,897
	537,512	462,386

The geographical dispersion of above investments in financial instruments classified at fair value through profit or loss is within the Kingdom of Saudi Arabia except for SR 78.5 million which are invested outside Kingdom of Saudi Arabia.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - FVTPL (CONTINUED)

(a) Fair value of these listed equity shares is determined by reference to published traded price at the close of the last business day of the year quoted in active market.

(b) Investment in these funds is valued at latest available net assets value (NAV). The Company is the fund manager for these funds.

(c) The Company has invested in private funds. Investment in these private funds is valued using the latest available net assets value (NAV) of the respective funds as of the reporting date. The NAV is calculated with reference to fair value of underlying assets and takes into consideration number of factors, including area and the type of the property and valuation techniques using significant unobservable inputs, including financial and fragmentation plot analysis, market comparison model, residual value method, among others. The Company is the fund manager for these funds.

(d) Others include the investment in the funds and private equities which are valued at latest available net assets value (NAV) and in listed equities which are valued at year end quoted price in active market.

As at 31 December 2021, the company has an investment carried at FVTPL in Al Jawhara Real-Estate Fund (‘AJF’) amounted to SR 44 million. The principal activity of AJF is to invest and develop plots of land. In March 2021, the Supreme Court in KSA ordered to revoke the title deed of land from AJF. The Company assessed the fair value of its investment in AJF, and concluded that the fair value is SR 15 million as at 31 December 2021. Consequently, the Company concluded to recognize the assessed fair value loss of SR 29 million in the statement of profit or loss for the year ended 31 December 2021.

7.1. NET INCOME FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - FVTPL

	31 December 2021	31 December 2020
Realized gain on sale of investments at FVTPL	**726**	1,485
Unrealized gain on investments at FVTPL	**11,912**	3,101
Dividend income	**4,568**	3,196
	17,206	7,782

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - FVOCI

	31 December 2021	31 December 2020
Sukuk (note 8.1)	**17,424**	32,653
Equity investment	**2**	2
	17,426	32,655

8.1. Financial assets at fair value through other comprehensive income – designated at initial recognition

The Company has elected to classify these debt investments irrevocably as designated at fair value through other comprehensive income. These investments are carried at fair value estimated using observable inputs from market sources.

Debt instruments – Sukuk	**31 December 2021**	31 December 2020
As at 1 January	**32,653**	23,610
Additions	-	26,000
Disposals	**(15,231)**	(16,960)
Fair value gain on investment at FVOCI	**2**	3
As at 31 December	**17,424**	32,653

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures	Computer hardware	Office equipment	Right-of-use-assets	Capital work in progress	Total
Cost:						
As at 1 January 2020	5,586	270	388	12,682	180	19,106
Additions	1,455	166	52	920	755	3,348
As at 31 December/ 1 January 2021	**7,041**	**436**	**440**	**13,602**	**935**	**22,454**
Additions	**867**	**84**	**10**	**1,960**	**3,344**	**6,265**
As at 31 December 2021	**7,908**	**520**	**450**	**15,562**	**4,279**	**28,719**
Accumulated depreciation:						
As at 1 January 2020	3,966	142	338	1,707	-	6,153
Depreciation	802	68	33	1,879	-	2,782
As at 31 December/ 1 January 2021	**4,768**	**210**	**371**	**3,586**	**-**	**8,935**
Depreciation	**892**	**86**	**18**	**2,141**	**-**	**3,137**
As at 31 December 2021	**5,660**	**296**	**389**	**5,727**	**-**	**12,072**
Net book value:						
As at 31 December 2020	2,273	226	69	10,016	935	13,519
As at 31 December 2021	**2,248**	**224**	**61**	**9,835**	**4,279**	**16,647**

10. INTANGIBLE ASSETS

	31 December 2021	31 December 2020
	Computer software	
Cost:		
As at 1 January	**14,450**	13,303
Additions	**-**	1,146
As at 31 December	**14,450**	14,449
Accumulated amortization:		
As at 1 January	**6,653**	4,016
Amortization charge	**2,760**	2,637
As at 31 December	**9,413**	6,653
Net Book Value:		
As at 31 December	**5,037**	7,797

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its Parent Company, funds managed by the Company, executive members of Company's board of directors, key management personnel and companies of which these related parties are principal owners. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Key management personnel transactions

Compensation of the Company's key management personnel includes salaries and non-cash benefits as follows:

	31 December 2021	31 December 2020
Short-term employee benefits		
Margin lending	**2,550**	1,640
Salaries including allowances and bonuses	**10,461**	9,291
	13,011	10,931

Other related parties' transactions and balances

Related party	**Nature of transaction**	**31 December 2021**	31 December 2020
	Revenue		
Funds managed by the Company	Asset management fees, gross	**341,607**	305,444
	Admin fee	**6,614**	12,490
	Custodian service income	**915**	901
	Income on DPM / Wakala management	**1,549**	940
	Income on Murabaha	**-**	26
	Brokerage income	**1,258**	2,040
Parent Company	Referral fee for brokerage income	**(9,062)**	(7,995)
	Referral fee for asset management income	**(23,600)**	(21,102)
	Expenses		
	Administrative charges	**(753)**	(1,395)
	Board allowance	**(1,099)**	(1,436)

Balances with related parties included in the statement of financial position are as follows:

Items	**Relationship**	**31 December 2021**	31 December 2020
Cash and cash equivalents -Current accounts	Parent Company (note 5)	**149,197**	88,708
Accrued fee	Parent Company (note 13)	**(20,816)**	(26,750)
Advance asset management fee	Parent Company (note 18)	**(51,316)**	(48,168)
Investments at FVTPL - funds managed by the Company	Public Funds (note 7)	**56,093**	58,459
	Private Funds (note 7)	**385,229**	277,545
Trade and other receivables	Other related parties (note 6)	**3,235**	2,194
Due to related parties - short term financing	Alinma Saudi Riyal Liquidity Fund (note 12)	**(50,388)**	-

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

12. SHORT TERM FINANCING

	31 December 2021	31 December 2020
Short term financing - Wakala (a)	**50,388**	-

a) The Company has an agreement with Alinma Liquidity Fund, a Fund managed by the Company whereby the Company has obtained a short-term financing which is repayable within one year of contractual maturity. Subsequent to the year end the loan has been settled.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2021	31 December 2020
Accrued fee (a)	**20,816**	26,750
Employees related accruals	**25,373**	19,899
VAT payable	**510**	2,385
Others	**21,171**	18,569
	67,870	67,603

(a) Accrued fee includes referral fee payable to the Parent Company on account of asset management fee income and brokerage commission income as detailed in note 11.

14. LEASE LIABILITIES

	31 December 2021	31 December 2020
As at 1 January	**10,359**	11,102
Additions	**1,960**	920
Interest expense	**664**	658
Lease payments	**(2,763)**	(2,321)
As at 31 December	**10,220**	10,359

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2021	31 December 2020
Current	**2,529**	2,204
Non-current	**7,691**	8,155
	10,220	10,359

15. ZAKAT

Movement in provision during the year

	31 December 2021	31 December 2020
As at 1 January	**37,078**	26,687
Zakat paid	**(37,078)**	(27,372)
Zakat provision for the year	**47,380**	37,078
Prior year under-provision charge	**-**	685
	47,380	37,763
As at 31 December	**47,380**	37,078

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

15. ZAKAT (CONTINUED)

Status of assessments
The Company is a wholly owned subsidiary of Alinma Bank (the "Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is filed by the Bank from year ended 31 December 2011 with the Zakat, Tax and Customs Authority (the "ZATCA") formerly named as General Authority of Zakat and tax (the "GAZT").

16. EMPLOYEES' END OF SERVICE BENEFITS

The Company has an unfunded plan for defined benefit obligation of end of service benefits. Cash generated by operations are considered sufficient to meet these obligations as they become due.

a) Movements in defined benefit obligation

	31 December 2021	31 December 2020
Defined benefit obligation		
As at 1 January	**19,762**	**16,754**
Amount recognized as expense for the year:		
- Current service cost	**3,937**	**3,266**
- Interest cost	**539**	**513**
Expense for the year	**4,476**	**3,779**
Benefits paid	**(294)**	**(1,730)**
Amount recognized in other comprehensive income		
Re-measurement of end of service benefits	**805**	**959**
As at 31 December	**24,749**	**19,762**

b) Significant assumptions

The significant assumptions used in determining defined benefit obligations for the year ended are as follows:

	31 December 2021	31 December 2020
Discount rates	**3.31%**	3.23%
Long term salary increases	**3.11%**	2.55%

c) Sensitivity analysis

	31 December 2021	31 December 2020
Discount rate + 100 bps	**22,533**	17,688
Discount rate – 100 bps	**27,346**	22,209
Long term salary increases + 100 bps	**27,443**	22,282
Long term salary increases – 100 bps	**22,411**	17,590

17. SHARE CAPITAL

The Company's authorized share capital consists of 100 million shares (31 December 2020: 100 million shares) of Saudi Riyals 10 each. As at 31 December 2021, 50 million shares (31 December 2020: 25 million shares) of Saudi Riyals 10 each have been fully paid up.

On 31 December 2020, the Company's Shareholders in its General assembly meeting resolved to increase the Company's share capital from SR 250 million to SR 500 million. During the year, on 17 March 2021 the Company increased its share capital after receiving the necessary approvals.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

18. REVENUE

Disaggregation of revenue by major service category	Note	31 December 2021	31 December 2020
Asset Management fee income - net		**319,340**	284,342
Brokerage commission income		**118,847**	102,194
Custody fee income		**6,796**	8,347
Investment banking fee income		**23,527**	8,456
Income from Murabaha Wakala services		**49,549**	30,006
	a & b	**518,059**	433,345
Income from margin lending		**52,736**	25,802
		570,795	459,147

a) Disaggregation of revenue by customer type

	31 December 2021	31 December 2020
Related parties (note 11)	**319,340**	288,249
Corporates	**30,324**	15,901
Others	**168,395**	129,195
	518,059	433,345

b) Disaggregation of revenue by recognition principle

	31 December 2021	31 December 2020
Recognized at a point in time	**142,374**	110,650
Recognized over time	**375,685**	322,695
	518,059	433,345

c) Contract liabilities

Asset management fee received in advance (note 11)	**51,316**	48,168

Asset management fee received in advance represents unamortized asset management fee received from Private Funds Managed by the Company according to advance payment terms with them. This fee will be earned in coming period/ years.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021	31 December 2020
IT maintenance and support expenses	**13,989**	11,978
Professional fees	**3,228**	2,040
Advertisement	**1,109**	1,674
Board remuneration	**1,099**	1,436
Administrative charges	**761**	1,740
Other expenses	**2,204**	1,178
	22,390	20,046

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

20. ASSETS HELD UNDER FIDUCIARY CAPACITY

Assets under management

These represent the mutual funds' assets and investments managed by the Company on behalf of its customers, which amounts to SR 72,985 million (31 December 2020: SR 65,395 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

Clients' cash accounts

Pursuant to the CMA's Capital Market Institutions Regulations requiring Client money segregation, the Company holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities.

The Company is holding clients' cash accounts, which amounts to SR 3,408 million (31 December 2020: SR 2,864 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

21. REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012G (Corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum capital requirement and its calculation methodology. Company's objectives when managing capital are to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2021	31 December 2020
Capital base:		
Tier I Capital	**1,842,918**	1,177,815
Tier II Capital	**-**	-
Total Capital Base	**1,842,918**	1,177,815
Minimum Capital Requirement:		
Market Risk	**17,284**	7,272
Credit Risk	**653,430**	520,023
Operational Risk	**72,682**	60,283
Total Minimum Capital Required	**743,396**	587,578
Capital adequacy ratio:		
Surplus in Capital	**1,099,522**	590,237
Total Capital Ratio (times)	**2.48**	2.00

a) The current and comparative information has been extracted from the Company's annual Capital Adequacy Model ("CAM") for 31 December 2021 and 31 December 2020, respectively, submitted to CMA. In 2021 the Company has submitted revised annual CAM report for the year ended 31 December 2020 after the approval of the financial statements, hence the comparative CAM figures are restated as per revised report.

b) Capital Base of the Company comprise of:

- **Tier-I capital** consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves, with certain deductions as per the Rules.
- **Tier-II capital** consists of revaluation reserves with certain deductions as per the Rules.

The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

22. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no contingent liabilities of the Company as of 31 December 2021 and 31 December 2020.

Commitments

The Company has lease contracts for office space and parking lot. As at 31 December 2021 and 31 December 2020 the Company has no non-cancellable lease arrangements.

23. FINANCIAL INSTRUMENTS RISK

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, portfolio financing receivables and certain other assets. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

The most significant financial risks to which the Company is exposed are described below.

Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Except for the investment in a foreign private equity fund, the Company's does not have any other significant foreign currency exposure as transactions are principally carried out in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified year. Management monitors the market changes in commission rates on regular basis to minimize commission rate risk.

Fair value risk

The Company is exposed to market risk with respect to its investments. The Company limits market risks by diversification of its investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the equity and debt market movements are monitored including analysis of the operational and financial performance of investees.

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.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

23. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk

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

The Company is exposed to credit risk on its cash at bank, portfolio financing receivables, asset management fee receivables, investment banking fee receivables. The credit risk against bank is generally managed on the basis of external credit grading of the bank. The Company's management seeks to limit its credit risk by monitoring credit exposures asset management fee receivables from the funds managed by it and does not consider itself exposed to significant credit risk in respect of these balances because of having a priority as creditor over the unit holders of the fund.

The Company requires collateral from clients against portfolio financing which is monitored for market value of the collateral held in customer accounts under fiduciary asset. For other financial assets credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2021	31 December 2020
Rated at least BBB+		
Cash and cash equivalents	**163,787**	94,268
Unrated		
Secured		
Portfolio financing receivable	**930,809**	682,120
Investment banking receivables	**29,352**	28,135
Asset management fee receivable from funds managed by the Company	**371,054**	270,566
Unsecured		
Financial assets at fair value through profit or loss	**551,285**	462,881
Financial assets at fair value through other comprehensive income	**17,426**	32,655
Investment banking receivables	**3,421**	2,204
Custody fee receivables	**12,933**	9,134
Discretionary portfolio management / Wakala receivable	**14,365**	10,517
Accrued profit on Sukuk	**142**	180
Due from a related party	**3,235**	2,194
Staff loan	**2,153**	1,510
Other trade receivables	**15,502**	10,885
Total exposure to credit risk	**2,115,464**	1,607,249

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

23. FINANCIAL INSTRUMENTS RISK (CONTINUED)

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 also result from the 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 current and future financial commitments as and when they fall due. As at 31 December 2021 and 2020, all financial liabilities were current in nature, except for lease liabilities for which the liquidity profile is presented below:

	Up to 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Lease liabilities				
As at 31 December 2021	**2,529**	**6,590**	**1,099**	**10,218**
As at 31 December 2020	**1,795**	**6,839**	**1,725**	**10,359**

Classification of financial instruments

	31 December 2021	31 December 2020
Financial assets as per statement of financial position		
Financial assets at amortized cost		
Cash and cash equivalents	**150,014**	93,773
Portfolio financing receivables	**930,809**	682,120
Asset management fee receivables	**371,054**	270,566
Investment banking fee receivables	**29,352**	28,135
Custody fee receivables	**12,933**	9,134
Other receivables	**30,382**	22,931
	1,524,544	1,106,659
Financial asset at fair value through profit or loss		
Listed equities	**27,989**	30,984
Public managed funds	**56,093**	58,459
Private managed funds	**344,152**	277,545
Others	**109,278**	95,893
	537,512	462,881
Financial assets at fair value through other comprehensive income		
Sukuk	**17,424**	32,653
Others	**2**	2
	17,426	32,655

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Company's financial assets and liabilities consist of cash and cash equivalents, investments, portfolio financing receivables and certain other assets.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Trading investments are carried at fair value.

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

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

		Fair value hierarchy			
	Financial instruments at amortized cost	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
31 December 2021					
Investments at FVTPL	**-**	**37,930**	**499,582**	-	**537,512**
Investments at FVOCI	**-**	-	**17,426**	-	**17,426**
Investment at amortized cost	**4,849**	-	-	-	**4,849**
Total financial assets	**4,849**	**37,930**	**517,008**	-	**559,787**
31 December 2020					
Investments at FVTPL		30,489	431,897	-	462,386
Investments at FVOCI		-	32,655	-	32,655
Investment at amortized cost	4,891	-	-	-	4,891
	4,891	30,489	464,552	-	499,932

25. COMPARITIVE FIGURES

Certain prior year amounts in these statements of financial position and statement of cash flows have been reclassified to conform to the presentation in the current period.

	As previously reported as at 31 December 2020	**Effect of reclassification**	**As reclassified as at 31 December 2020**
Statement of financial position			
Accrued expenses and other liabilities	**115,771**	**(48,168)**	**67,603**
Contract liabilities	**-**	**48,168**	**48,168**
	115,771	**-**	**115,771**

26. SUBSEQUENT EVENTS

In the opinion of management, except for the matters disclosed in these financial statements, there have been no subsequent events after the year ended 31 December 2021, which would have material impact on these financial statements.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's board of directors on 17 Sha'ban 1443H (corresponding to 20 March 2022G).