

**ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)**

**Financial Statements and Independent Auditors' Report**

**31 DECEMBER 2021**



**Ernst & Young Professional Services (Professional LLC)**  
**Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)**  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Arab National Investment Company**

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

#### **Opinion**

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

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

#### **Basis for Opinion**

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

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

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

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

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



## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Arab National Investment Company  
(A Saudi Closed Joint Stock Company) (continued)**

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arab National Investment Company  
(A Saudi Closed Joint Stock Company) (continued)

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

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

for Ernst & Young

Waleed G. Tawfik  
Certified Public Accountant  
License No. 437

Riyadh: 27 Sha'ban 1443H  
(30 March 2022)



ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021

	<i>Notes</i>	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment and right-of-use assets	6	<b>7,518,726</b>	3,230,800
Intangible assets	7	<b>5,601,708</b>	7,947,431
Investments at fair value through profit or loss (FVTPL)	8	<b>153,765,775</b>	188,343,468
Investments in associates	9	<b>359,162,245</b>	517,273,442
Deferred tax asset	16	<b>2,805,733</b>	2,805,733
<b>TOTAL NON-CURRENT ASSETS</b>		<b>528,854,187</b>	719,600,874
<b>CURRENT ASSETS</b>			
Prepayments and other assets	10	<b>25,420,610</b>	58,532,834
Receivables against margin lending, net	11	<b>910,199,384</b>	670,904,196
Cash and cash equivalents	12	<b>235,282,584</b>	127,997,379
<b>TOTAL CURRENT ASSETS</b>		<b>1,170,902,578</b>	857,434,409
<b>TOTAL ASSETS</b>		<b>1,699,756,765</b>	1,577,035,283
<b>LIABILITIES AND EQUITY</b>			
<b>NON-CURRENT LIABILITIES</b>			
Employees defined benefit obligation	13	<b>22,704,956</b>	25,308,243
Lease liabilities	14	<b>5,465,577</b>	1,996,741
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>28,170,533</b>	27,304,984
<b>CURRENT LIABILITIES</b>			
Accrued expenses and other liabilities	15	<b>27,484,965</b>	23,166,088
Zakat and income tax payable	16 (b)	<b>32,307,844</b>	31,363,913
Current portion of lease liabilities	14	<b>1,953,946</b>	948,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>61,746,755</b>	55,478,001
<b>TOTAL LIABILITIES</b>		<b>89,917,288</b>	82,782,985
<b>EQUITY</b>			
Share capital	18	<b>1,000,000,000</b>	1,000,000,000
Statutory reserve	19	<b>73,363,504</b>	61,726,306
Other reserves		<b>1,689,733</b>	2,474,529
Retained earnings		<b>534,786,240</b>	430,051,463
<b>TOTAL EQUITY</b>		<b>1,609,839,477</b>	1,494,252,298
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,699,756,765</b>	1,577,035,283

The attached notes 1 to 33 form part of these financial statements.

ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 SR	31 December 2020 SR
<b>OPERATING INCOME</b>			
Brokerage fees income, net	20 (a)	71,769,852	68,889,227
Asset management fees income	20 (b)	46,513,974	42,308,468
Special commission income on margin lending		26,973,289	22,344,285
Corporate finance		8,128,472	20,566,440
Custody fees		858,000	858,000
Advisory fees	17	10,000,000	50,300,500
Special commission income on cash deposits	17	10,464,625	13,898,700
Gain on sale of investment in associate	9	27,059,533	-
Gain (loss) on investment at fair value through profit or loss	8	3,028,630	(802,362)
Realized gain on investment at fair value through profit or loss		358,271	-
Other income		245,442	37,527
<b>TOTAL OPERATING INCOME</b>		<b>205,400,088</b>	<b>218,400,785</b>
<b>OPERATING EXPENSES</b>			
Salaries and related benefits	21	(56,472,512)	(54,698,694)
Premises related expenses		(1,289,061)	(1,397,099)
Depreciation and amortisation		(4,048,877)	(4,059,531)
General and administrative expenses	22	(21,078,323)	(19,808,964)
<b>TOTAL OPERATING EXPENSES</b>		<b>(82,888,773)</b>	<b>(79,964,288)</b>
<b>NET OPERATING INCOME</b>		<b>122,511,315</b>	<b>138,436,497</b>
Finance costs		(292,299)	(9,510,180)
Share of income from investment in associates	9	32,850,504	15,689,918
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>		<b>155,069,520</b>	<b>144,616,235</b>
Zakat and income tax	16 (a)	(38,697,545)	(35,809,979)
<b>INCOME FOR THE YEAR</b>		<b>116,371,975</b>	<b>108,806,256</b>
<i>Other comprehensive income not to be reclassified to income in subsequent periods:</i>			
Re-measurement (loss) gain on employee defined benefit obligation		(784,796)	1,024,698
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(784,796)</b>	<b>1,024,698</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>115,587,179</b>	<b>109,830,954</b>
<b>EARNINGS PER SHARE :</b>			
Basic and diluted, income for the year per share	23	1.16	1.09

The attached notes 1 to 33 form part of these financial statements

ARAB NATIONAL INVESTMENT COMPANY  
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STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Other reserves SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2020	1,000,000,000	50,845,680	1,449,831	332,125,833	1,384,421,344
Income for the year	-	-	-	108,806,256	108,806,256
Other comprehensive income	-	-	1,024,698	-	1,024,698
Total comprehensive income for the year	-	-	1,024,698	108,806,256	109,830,954
Transfer to statutory reserve	-	10,880,626	-	(10,880,626)	-
Balance at 31 December 2020	<u>1,000,000,000</u>	<u>61,726,306</u>	<u>2,474,529</u>	<u>430,051,463</u>	<u>1,494,252,298</u>
As at 1 January 2021	1,000,000,000	61,726,306	2,474,529	430,051,463	1,494,252,298
Income for the year	-	-	-	116,371,975	116,371,975
Other comprehensive income	-	-	(784,796)	-	(784,796)
Total comprehensive income for the year	-	-	(784,796)	116,371,975	115,587,179
Transfer to statutory reserve	-	11,637,198	-	(11,637,198)	-
<b>Balance at 31 December 2021</b>	<b><u>1,000,000,000</u></b>	<b><u>73,363,504</u></b>	<b><u>1,689,733</u></b>	<b><u>534,786,240</u></b>	<b><u>1,609,839,477</u></b>

The attached notes 1 to 33 form part of these financial statements

ARAB NATIONAL INVESTMENT COMPANY  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31 December 2021 SR	31 December 2020 SR
<b>OPERATING ACTIVITIES</b>			
Income before zakat and income tax		<b>155,069,520</b>	144,616,235
<i>Non-cash adjustment to reconcile income before zakat and tax to net cash flows:</i>			
Depreciation and amortisation	6,7	<b>4,048,877</b>	4,059,531
Finance cost on lease liabilities	14	<b>292,299</b>	188,195
Provisions for employees defined benefit obligation	13	<b>3,724,648</b>	3,311,521
(Gain) loss on financial assets at fair value through profit or loss, net	8	<b>(3,028,630)</b>	802,362
Impairment charge on margin lending	11	<b>706,969</b>	40,656
Intangible asset write off	7	<b>500,005</b>	-
Loss (gain) on sale of property and equipment and right-of-use assets		<b>804</b>	(37,527)
Share of income from investment in associates	9	<b>(32,850,504)</b>	(15,689,918)
<i>Operating cash flows before working capital changes</i>		<b>128,463,988</b>	137,291,055
Receivables against margin lending	11	<b>(240,002,157)</b>	44,615,202
Prepayments and other assets	10	<b>33,112,224</b>	(24,853,711)
Accrued expenses and other liabilities	15	<b>4,318,877</b>	(2,737,011)
Net cash (used in) from in operations		<b>(74,107,068)</b>	154,315,535
Finance cost on lease liabilities paid	14	<b>(292,299)</b>	(188,195)
Zakat and income tax paid	16 (b)	<b>(37,753,614)</b>	(27,704,669)
Employees defined benefit obligation paid	13	<b>(7,112,731)</b>	(2,648,227)
Net cash (used in) from operating activities		<b>(119,265,712)</b>	123,774,444
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment and intangibles	6,7	<b>(355,460)</b>	(1,763,133)
Purchase of financial assets at fair value through profit or loss	8	<b>(84,450,415)</b>	(121,470,000)
Proceed from investments at fair value through profit or loss		<b>122,056,738</b>	-
Purchase of investments in associates	9	-	(325,000,000)
Proceed from investments in associates	9	<b>145,524,678</b>	-
Dividends received from investments in associates	9	<b>45,437,023</b>	33,949,828
Net cash from (used in) investing activities		<b>228,212,564</b>	(414,283,305)
<b>FINANCING ACTIVITIES</b>			
Payment of lease liabilities	14	<b>(1,661,647)</b>	(1,824,167)
Repayment of borrowings		-	(714,965,658)
Net cash used in financing activities		<b>(1,661,647)</b>	(716,789,825)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at the beginning of the year		<b>107,285,205</b>	(1,007,298,686)
		<b>127,997,379</b>	1,135,296,065
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		<b>235,282,584</b>	127,997,379
<i>Non-cash transactions:</i>			
Right-of-use assets		<b>(6,254,940)</b>	-
Lease liabilities		<b>6,254,940</b>	-

The attached notes 1 to 33 form part of these financial statements



ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

**1 ACTIVITIES**

Arab National Investment Company (the “Company”) is registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010239908 on Shawwal 26, 1428 H (corresponding to November 7, 2007). The Company has taken over the management of the Arab National Bank (“ANB” or the “Bank”) investment services and asset management activities related to dealing, managing, arranging, advising and custody of securities, as from the date of commencement of its commercial operations on January 12, 2008.

The Company is a closed joint stock company, which was converted from limited liability company on the directions from Capital Market Authority (CMA) dated Sha’ban 3, 1433 (corresponding to 23 June 2013). Such change was approved according to the Ministerial Resolution No. 317/G dated Muharram 19, 1436 H (corresponding to 12 November 2014), and a revised commercial registration was issued on 17 Rabi Al Awal 1436 H (corresponding to 8 January 2015).

The objective of the Company as approved by CMA Board of Commissioners on 28 Muharram 1437 H (corresponding to 10 November 2015) through a resolution number S/1/6/14832/15 is to conduct dealing as a principal as well as an agent; underwriting the asset management and investment banking activities, discretionary portfolio management, brokerage arranging, advising and custody activities in the Kingdom of Saudi Arabia. This includes various investment activities in Islamic and other related investments such as establishment and management of public equity portfolios, direct investments and real estate funds. Based on the directive of CMA through the letter dated 10 Rabi Al Awal 1437 H (corresponding to 21 December 2015), the Company has obtained the margin lending facility from Arab National Bank with effective from 1 April 2017. Therefore, the Company has amended its objectives to include margin lending financing.

In 2011, Arab National Bank acquired an additional 2% equity stake in the Company from the other shareholders, bringing ANB’s equity stake in the Company to 100%. The legal formalities for the transfer of ownership and the amendment of the Company’s articles of association, as required by article No. 164 of the Regulations for Companies, were completed. The Company’s registered office is located at the following address:

King Faisal Road, Arab National Investment Company Building, Murabbaa District  
P.O. Box 220009, Riyadh 11311  
Kingdom of Saudi Arabia

The Company commenced its operations on 7 November 2007.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

The financial statements have been prepared on going concern basis under the historical cost convention, except for the following items in the statement of financial position:

- Investments at fair value through profit or loss (“FVTPL”) is measured at fair value.
- Employees defined benefit obligations are measured at present value of future obligations using the Projected Unit Credit Method.

The financial statements are presented in Saudi Riyals (“SR”) and all values are rounded to the nearest one Saudi Riyal, except when otherwise indicated.

ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

**3 SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies applied by the Company in preparing its financial statements:

**3.1 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight line basis as follows:

<b>Asset categories</b>	<b>Useful lives</b>
Leasehold improvements	Period of lease or 10 years; whichever is shorter
Furniture and fixtures	4 years
Office equipment	4 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Impairment losses and gains or losses on disposals of property and equipment are included in statement of comprehensive income.

**3.2 Intangible assets**

Intangible assets comprise of computer software.

Expenditures on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment, if any.

Amortization is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is 4 to 10 years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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 statement of comprehensive income as incurred.

ARAB NATIONAL INVESTMENT COMPANY  
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Financial instruments**

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the profit or loss or through other comprehensive income ("OCI").

Time deposits, due from related parties and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are measured at amortised cost.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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.

*Initial measurement*

Financial assets are initially measured at their fair value, plus transaction costs in the case of a financial asset at fair value through statement of comprehensive income. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

*Subsequent measurement*

*Debt instruments*

The Company recognises three classifications to subsequently measure its debt instruments:

- *Amortised cost*  
Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- *Fair Value through Other Comprehensive Income ("FVOCI")*  
Financial assets 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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the statement of comprehensive income and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.
- *Fair Value through profit or loss ("FVPL")*  
Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through the profit and loss and which is not part of a hedging relationship is recognised and presented net in the statement of comprehensive income in the period in which it arises.

ARAB NATIONAL INVESTMENT COMPANY  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Financial instruments (continued)**

Business model assessment

The Company 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 realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company'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- e.g. 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 Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are classified as FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition

A financial asset or a part of a financial asset is de-recognised when:

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

ARAB NATIONAL INVESTMENT COMPANY  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Financial instruments (continued)**

*Impairment of financial assets*

The Company assesses all information available, including a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring at the asset as at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

The expected loss approach breaks the total loss amount modeling into following parts: probability of default (PD), loss given default (LGD), exposure at default (EAD). These are briefly described below:

*Loss given default (LGD)*

This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

*Probability of default (PD)*

The likelihood of a default over a particular time horizon.

*Exposure at default (EAD)*

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

*Expected Credit Loss (ECL) Model*

The Company uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, the cash flows are projected and the gross carrying amount, loss allowance, and amortised cost are calculated for the financial instrument.

*Definition of default*

In the above context, the Company considers default when:

the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Financial instruments (continued)**

*Impairment of financial assets (continued)*

*Expected credit loss assessment for receivable against margin lending*

The Company uses three categories for receivable against margin lending which reflect their credit risk and how the expected credit loss is determined for each of these categories. These internal credit risk ratings are aligned to external credit rating companies, such as Moody's.

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

<i>Category</i>	<i>Company's definition of category</i>	<i>Basis of recognition of expected credit loss</i>
Performing	Borrowers having a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is significant increase in credit risk; as significant increase in credit risk is presumed if profit and / or principal repayments are 30 days past due.	Lifetime expected losses
Non-performing	Profit and / or principal repayments are 60 days past due	Lifetime expected losses

Over the term of the receivable against margin lending, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each borrower and adjusts for forward looking macroeconomic data.

*Write-off*

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

*Governance and controls*

The Company has adopted an effective governance and control framework. Following aspects depict governance approach of management:

**Data quality and availability:** Management will maintain a detailed credit risk information that was not previously maintained, or is available but was not previously used for financial reporting purposes. **Systems, processes and internal controls:** On an ongoing basis, Company will produce IFRS 9 measurements and related disclosures within a short timeframe. Associated controls will be sufficiently automated and streamlined to deliver reliable results that are subject to appropriate review and challenge in the required timeframe. Further, as portfolio composition and market conditions change, processes, methodologies and assumptions will be adapted, in order to remain compliant with the requirements of IFRS 9.

**Timely monitoring, review and challenge of IFRS 9 implementation plans, key decisions and output:** Internal reporting mechanisms will be enhanced to support IFRS 9 implementation efforts and ensure timely decision making and reporting. Frequent review of whether assumptions and methodologies are consistent with business and risk management practices and strategies, including assessing whether they are consistent with those used in other areas of reporting and planning.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Financial instruments (continued)**

*Governance and controls (continued)*

A strong governance and controls framework over ECL estimation and reporting will be developed, focusing on data integrity and model validation given the large population of data, models and systems that either did not previously exist or were not used in financial reporting. Additionally, those charged with governance would have oversight over why different models are used for different portfolios across varying jurisdictions.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

**3.4 Current versus non-current classification**

The Company presents assets and liabilities in the statement of financial position based on a 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.

All other assets are classified 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**3.5 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

The Company also holds cash in clients' cash accounts with a local Saudi bank to be used for investments on their behalf. Such balances are not included in the financial statements.

**3.6 Margin lending receivables**

Margin lending receivables are recognized when the cash is advanced to the customers who trade in the capital markets. The cash advance is collateralized against equity securities purchased by the borrowers using these funds as well as any cash accounts that may be held by the customers. The outstanding receivable will decrease when either the borrowers liquidate their holdings or remit cash to reduce the utilization. Margin lending receivables are financed with initial coverage of at least 200%. This coverage is actively monitored and margin calls and liquidation calls are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralised at all times. Customer portfolios can be liquidated to cover the loan amounts if the collateral coverage ratio drops below the liquidation level.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Investment in associates**

The Company's interests in equity-accounted investee comprise interests in an associates. Associates are those entities in which the Company has significant influence, but no control or joint control, over the financial and operating policies.

Interests in an associates are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investments.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has a corresponding obligation.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees is changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:

- significant financial difficulty of the equity-accounted investee;
- a breach of contract, such as a default or delinquency in payments by the equity-accounted investee;
- the entity, for economic or legal reasons relating to its equity-accounted investee's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider;
- it becoming probable that the equity-accounted investee will enter bankruptcy or other financial reorganization;
- or
- the disappearance of an active market for the net investment because of financial difficulties of the equity-accounted investee.

The entire carrying amount is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

**3.8 Employee defined benefit obligation**

The Company operates a defined benefit scheme for its employees in accordance with labour regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in the retained earnings and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'general and administration expenses' in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income



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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Employee defined benefit liability**

The defined benefit asset or liability comprises the present value of the defined benefit obligation, less past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

**3.10 Accrued expenses and other payables**

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method. Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material.

**3.11 Zakat and income tax payables and value added tax**

*Zakat*

Zakat is provided for in accordance with the Saudi Arabian regulations. The liability is charged to the statement of comprehensive income. This is adjusted, if applicable, upon receiving the final zakat assessment.

*Income tax*

Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

*Value Added Tax (VAT)*

Expenses, and assets are recognized net of the amount of VAT, except:

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

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

**3.12 Contingent 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 recognised, but are disclosed where an inflow of economic benefits is probable.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Revenue from contracts with customers**

IFRS 15 Revenue from contracts with customers has established a five-step model to account for revenue arising from contracts with customers. The five step model is as follows:

- a) Identify the contract
- b) Identify performance obligation
- c) Determine the transaction price
- d) Allocation of the transaction price
- e) Recognize revenue

The Company generates the following revenue streams that are covered:

- a) Brokerage fees
- b) Special commission income on margin lending
- c) Asset management fees
- d) Corporate finance and Advisory fees

**3.13.1 Brokerage fees**

Brokerage income is recognized when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, and is recorded net of The Saudi Stock Exchange Company (Tadawul) fees, Capital Market Authority (CMA) fees and discounts. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

**3.13.1.1 Special commission income on margin lending**

Margin lending is an overdraft facility provided to customers to trade in the capital market. Interest income from margin lending is accrued daily on the outstanding balance on an effective yield basis. Margin lending fees are recognised based on customer utilisation of the margin lending facility at the applicable rates agreed in the contract with the customer.

**3.13.1.2 Management and administration fees from investment funds**

Management and administration fee income is recognized on a periodic basis (annual % pro-rated for daily accruals) with reference to the Net Asset Value ('NAV') computation. The Company's practice for recognition of management fees is aligned with IFRS since the Management fee is recognized on an accruals basis against the rendering of the Asset Management services that the Company is providing on an on-going basis.

**3.13.1.3 Advisory and corporate finance**

Advisory and corporate finance fee is recognized based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

**3.13.2 Other operating income**

**3.13.2.1 Net gain or loss on financial assets at fair value through profit or loss**

Net gains or losses on financial assets at fair value through profit or loss are changes in the fair value of financial assets held for trading or designated upon initial recognition as at fair value through profit or loss and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses on the disposal of financial instruments classified as at fair value through profit or loss are calculated using the weighted average method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on financial instruments classified as at fair value through profit or loss (excluding payments or receipts on collateral margin accounts for such instruments).

**3.13.2.2 Dividend income**

Dividend income is recognised on the date when the Company's right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVOCI is recognised in the statement of comprehensive income in a separate line item.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Revenue from contracts with customers (continued)**

**3.13.2 Other operating income (continued)**

**3.13.2.3 Special commission income and expense**

Special commission income and expense for all commission-bearing financial instruments is recognised in the statement of comprehensive income on an effective yield basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

**3.14 General and administrative expenses**

General and administrative expenses are mainly staff costs and professional fees. All other expenses are classified based on their nature in the statement of comprehensive income.

**3.15 Earnings per share**

Basic and diluted earnings per share are calculated by dividing the income for the year attributable to the shareholders of the Company by the weighted average number of outstanding ordinary shares.

**3.16 Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

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

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

**3.18 Foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functionally currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in profit or loss or other comprehensive income are also recognized in profit or loss or other comprehensive income, respectively).

**3.19 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.20 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed by the Company's Chief Operating Decision maker to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Operating Decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**3.21 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense.

**3.22 Leases**

The Company assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

*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, 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. Right-of-use assets are subject to impairment. Right-of-use assets are depreciated over the useful life or lease period whichever is lower.

*Lease liabilities*

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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.

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### 4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

##### 4.1 *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for debt instrument measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (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 3.3 Impairment - Financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

##### 4.2 *Measurement of the net employment defined benefit liabilities*

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

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

Intangible assets and investment properties are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

##### 4.4 *Fair value measurement of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company invests in redeemable units of unlisted mutual funds, which are also managed by the Company. The funds are open for subscriptions/redemptions on a periodic basis as mentioned in the terms and conditions. The value of the net assets of the funds for the purpose of the subscription/redemption of units is determined by dividing the net assets attributable to unitholders of the funds (fair value of the funds' assets minus the liabilities) by the total number of the funds' units outstanding on the relevant valuation day.

**4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)**

**4.5 Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives and residual value of the assets at least once per year and always at the end of each financial year and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**4.6 Useful lives of intangible assets**

The useful life starts at the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Useful lives are reviewed at each financial year-end and adjusted if appropriate.

**4.7 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows

**4.8 Going concern**

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

**4.9 Determining the lease term of contracts with renewal and termination options – Company as lessee**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of right of use asset with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases of right of use assets with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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**5 NEW IFRS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE COMPANY**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

***Amendments to IAS 1 and IAS 8 Definition of Material***

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

***Amendments to IFRS 16 Covid-19 Related Rent Concessions***

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 applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

***Standards issued but not yet effective***

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

***Amendments to IAS 1: Classification of Liabilities as Current or Non-current***

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right

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**5 NEW IFRS, AMENDMENTS AND INTERPRETATIONS ADOPTED BY THE COMPANY (continued)**

*Standards issued but not yet effective (continued)*

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)*

- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendment.

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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



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**6 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS**

For 2021, the cost of property and equipment and right of use assets are depreciated on a straight-line basis over the estimated useful lives:

	<i>Leasehold improvements</i> SR	<i>Furniture and fixture</i> SR	<i>Office equipment</i> SR	<i>Right- of-use-assets</i> SR	<b>31 December 2021 SR</b>
<i>Cost:</i>					
At the beginning of the year	15,195,950	1,034,635	7,012,568	12,595,250	<b>35,838,403</b>
Additions during the year	5,000	7,550	153,667	6,254,940	<b>6,421,157</b>
Disposals during the year	-	-	-	(6,073,893)	<b>(6,073,893)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	15,200,950	1,042,185	7,166,235	12,776,297	<b>36,185,667</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>					
At the beginning of the year	14,674,482	892,876	6,824,986	10,215,259	<b>32,607,603</b>
Charge for the year	103,436	46,875	137,816	1,725,789	<b>2,013,916</b>
Disposals during the year	-	-	-	(5,954,578)	<b>(5,954,578)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the year	14,777,918	939,751	6,962,802	5,986,470	<b>28,666,941</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book amounts:</i>					
<i>At 31 December 2021</i>	<b>423,032</b>	<b>102,434</b>	<b>203,433</b>	<b>6,789,827</b>	<b>7,518,726</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 DECEMBER 2021

**6 PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (continued)**

For 2020, the cost of property and equipment and right of use are depreciated on a straight-line basis over the following estimated useful lives:

	<i>Leasehold improvements</i> SR	<i>Furniture and fixture</i> SR	<i>Office equipment</i> SR	<i>Right- of-use-assets</i> SR	<i>31 December 2020</i> SR
<i>Cost:</i>					
At the beginning of the year	14,927,466	934,865	6,999,567	14,465,434	37,327,332
Additions during the year	268,484	99,770	13,001	-	381,255
Disposals during the year	-	-	-	(1,870,184)	(1,870,184)
	<u>15,195,950</u>	<u>1,034,635</u>	<u>7,012,568</u>	<u>12,595,250</u>	<u>35,838,403</u>
<i>Depreciation:</i>					
At the beginning of the year	14,599,796	866,025	6,717,181	8,882,520	31,065,522
Charge for the year	74,686	26,851	107,805	1,852,110	2,061,452
Disposals during the year	-	-	-	(519,371)	(519,371)
	<u>14,674,482</u>	<u>892,876</u>	<u>6,824,986</u>	<u>10,215,259</u>	<u>32,607,603</u>
<i>Net book amounts:</i>					
<i>At 31 December 2020</i>	<u><b>521,468</b></u>	<u><b>141,759</b></u>	<u><b>187,582</b></u>	<u><b>2,379,991</b></u>	<u><b>3,230,800</b></u>

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**7 INTAGIBLE ASSETS**

Intangible assets comprise of software that is amortized on a straight line basis over an estimated useful life of 4 to 10 years.

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
<i>Cost</i>		
At the beginning of the year	<b>26,288,121</b>	24,906,243
Additions during the year	<b>189,243</b>	1,381,878
Write off	<b>(500,005)</b>	-
	<hr/>	<hr/>
At the end of the year (7.1)	<b>25,977,359</b>	26,288,121
	<hr/>	<hr/>
<i>Accumulated amortization</i>		
At the beginning of the year	<b>18,340,690</b>	16,342,611
Charge during the year	<b>2,034,961</b>	1,998,079
	<hr/>	<hr/>
At the end of the year	<b>20,375,651</b>	18,340,690
	<hr/>	<hr/>
<i>Net book value</i>		
<b>At 31 December</b>	<b>5,601,708</b>	7,947,431
	<hr/> <hr/>	<hr/> <hr/>

7.1 Intangible assets include capital work in progress of SR 910,305 (2020: SR 1,325,144).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**8 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

Investments at fair value through profit and loss consist of investments in local money market funds, mutual funds and real estate funds. The movements are set out below:

	<i>31 December 2021</i>			
	<i>Cost</i>	<i>Addition (Disposal)</i>	<i>Realised /Unrealised gain (loss)</i>	<i>Fair value</i>
	SR	SR	SR	SR
Al Mubarak SAR Trade Fund (note 8.1)	169,524,701	(110,000,000)	5,196,655	64,721,356
Al Mubarak Diyar Jeddah Real-estate Fund (note 8.2)	9,645,390	(12,056,738)	2,411,348	-
Al Mubarak Real-estate Income Fund (note 8.3)	4,000,000	-	(833,400)	3,166,600
Al Dar Investment Fund 2 (note 8.4)	-	30,000,000	-	30,000,000
Al Arabi Al Argan Real Estate Development Fund (note 8.5)	-	44,500,000	-	44,500,000
Local equities listed on Tadawul (note 8.6)	-	9,950,415	1,427,404	11,377,819
	<u>183,170,091</u>	<u>(37,606,323)</u>	<u>8,202,007</u>	<u>153,765,775</u>

  

	<i>31 December 2020</i>			
	<i>Cost</i>	<i>Additions</i>	<i>Unrealised gain (loss)</i>	<i>Fair value</i>
	SR	SR	SR	SR
Al Mubarak SAR Trade Fund (note 8.1)	48,054,701	121,470,000	4,449,755	173,974,456
Al Mubarak Diyar Jeddah Real-estate Fund (note 8.2)	9,645,390	-	1,797,491	11,442,881
Al Mubarak Real-estate Income Fund (note 8.3)	4,000,000	-	(1,073,869)	2,926,131
	<u>61,700,091</u>	<u>121,470,000</u>	<u>5,173,377</u>	<u>188,343,468</u>

- 8.1 Investments in Al Mubarak SAR Trade Fund represent 2,960,158 units (31 December 2020: 8,008,765 units). The fund is unlisted and managed by the Company.
- 8.2 Investments in Al Mubarak Diyar Jeddah Real-estate Fund represent nil units (31 December 2020: 964,539 units). The fund is unlisted and managed by the Company.
- 8.3 Investments in Al Mubarak Real-estate income Fund represent 4000 units (31 December 2019: 4000 units). The fund is unlisted and managed by the Company.
- 8.4 Investments in Al Dar Investment Fund 2 represent 3,000,0000 units (31 December 2020: nil units). The fund is unlisted and are managed by fund managers, other than the Company, licensed by the Capital Market Authority of Saudi Arabia.
- 8.5 Investments in Al Arabi Al Argan Real Estate Development Fund represent 44,500 units (31 December 2020: nil units). The fund is unlisted and managed by the Company.
- 8.6 Investment in local equities listed on Tadawul represents portfolios managed by the Company.

	<i>31 December 2021</i>	<i>31 December 2020</i>
	SR	SR
Fair value as at the beginning of the year	188,343,468	67,675,830
Addition during the year	84,450,415	121,470,000
Disposal during the year	(122,056,738)	-
Net unrealised gain (loss) at FVTPL	2,085,676	(802,362)
Net realised gain at FVTPL	942,954	-
Fair value as at the end of year	<u>153,765,775</u>	<u>188,343,468</u>

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31 DECEMBER 2021

**9 INVESTMENTS IN ASSOCIATES**

Investments in associates consist of investments in private real estate funds. The details of the Company's associate at the end of the reporting period is as follows::

<i>Name of Associates</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
			<i>SR</i>	<i>SR</i>
	<i>% of ownership</i>			
ANBI Business Gate Fund (8.1)	<b>12.74%</b>	<b>25.47%</b>	<b>50,759,803</b>	206,043,810
Sara Second Real Estate Fund (8.2)	<b>23.76%</b>	<b>23.76%</b>	<b>308,402,442</b>	311,229,632
			<b>359,162,245</b>	<b>517,273,442</b>

9.1 In 2015, the Company has subscribed in 25.47% of the units of the ANBI Business Gate Fund (the Fund) amounting to SR 242 million. It is a closed-ended private placement real estate investment fund launched on 26 August 2014 for a period of 5 years starting from date of closure of first offering on 11 January 2015. CMA was informed of the offering of the Fund through letter number 8/14/411 dated 9 Shawwal 1435H (corresponding to 5 August 2014).

The Fund's term is for 5 years effective from date of closure of first offering (i.e. 11 January 2015). However, on 10 December 2019, the Fund's board of directors resolved to extend the Fund's duration by additional six months ending on 13 July 2020. The said resolution was approved by the Unitholders. On 21 June 2020, an extension by additional 6 months ended 31 December 2020 was approved by the fund's board of directors. On 15 December 2020, the Fund Manager sent a notification to Capital Market Authority (CMA), to further extended the life of the fund to 31 March 2021 with the approval of the unitholders. Subsequently, the Fund Manager with the approval of the unitholders has further extended the term of Fund till 31 December 2025 and sent a notification to CMA dated 11 February 2021 for the same.

The Company has accounted for its share in the Fund on financial information prepared on a going concern basis. Up to the date of these financial statements, the Unitholders of the Fund did not hold any further meetings after 14 December 2020 meeting referred to above. Based on management's available information and best estimates, the value of the Company's investment in the Fund as at 31 December 2021 will be realizable.

During the year 31 December 2021, the Company sold 121,000 units representing 50% of its holding in Business Gate Fund having carrying value of SR 49,998,362 at a net gain of SR 27,059,533, as the Company ownership interest changes to 12.74%. The Company has assessed the accounting of investment, in terms of significant influence suggested under IAS 28 and it has concluded that despite this transaction, the Company still holds significant influence in the investee.

The Fund's purpose is to acquire real estate assets, an income generating real estate property located in the city of Riyadh, out of which the Fund will receive rental and operating income over the Fund term.

Summarized financial information of the associate is set out below. The summarized financial information below represents amounts shown in associate's financial statements.

	<i>31 December</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current assets	<b>131,843,254</b>	100,598,127
Non-current assets	<b>1,493,338,422</b>	1,537,618,899
Total assets	<b>1,625,181,676</b>	1,638,217,126
Current liabilities	<b>88,015,470</b>	806,658,396
Non-current liabilities	<b>1,138,638,827</b>	16,319,598
Net assets	<b>398,527,379</b>	815,239,132
Revenue	<b>204,366,820</b>	158,615,239
Total comprehensive income	<b>48,024,294</b>	17,870,301
Dividends paid during the year	<b>95,900,000</b>	33,250,000

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**9 INVESTMENTS IN ASSOCIATES (continued)**

The movement in ANBI Business Gate Fund is as follow:

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
At the beginning of the year	<b>206,043,810</b>	210,533,352
Share in results	<b>5,270,145</b>	3,980,458
Capital reduction (9.1.1)	<b>(95,526,316)</b>	-
Share of dividend paid	<b>(15,029,474)</b>	(8,470,000)
Disposal of shares (9.1)	<b>(49,998,362)</b>	-
At the end of the year	<b>50,759,803</b>	206,043,810

9.1.1 During the year, the unitholders decide to reduce the capital of the Fund by SR 375,000,000, accordingly the Company receive it's share of capital reduction amounting to 95,526,316.

9.2 On 21 May 2020, the Company has subscribed in 23.76% of the units of the Sara Second Real Estate Fund (the Fund) amounting to SR 325 million. It is a closed-ended private placement real estate investment fund launched on 21 May 2020 for a period of 12 years starting from date of closure of first offering. The fund may be terminated and liquidated early based on the fund manager's decision and the approval of the fund's board of directors and / or in accordance with the relevant provisions of the fund's terms and conditions.

Summarized financial information of the associate is set out below. The summarized financial information below represents amounts shown in associate's financial statements.

	<i>31 December</i> <b>2021</b> SR <i>(Unaudited)</i>	<i>31 December</i> 2020 SR <i>(Audited)</i>
Current assets	<b>181,016,058</b>	194,731,687
Non-current assets	<b>1,748,962,584</b>	1,779,987,272
Total assets	<b>1,929,978,642</b>	1,974,718,959
Current liabilities	<b>26,284,980</b>	25,882,882
Non-current liabilities	<b>605,556,618</b>	627,765,494
Net assets	<b>1,298,137,044</b>	1,321,070,583
Revenue	<b>190,726,131</b>	116,387,516
Total comprehensive income	<b>116,092,095</b>	60,321,057
Dividends paid during the year	<b>127,992,393</b>	107,250,474

The movement in Sara Second Real Estate Investment Fund is as follow:

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
At the beginning of the year	<b>311,229,632</b>	-
Addition	-	325,000,000
Share in results	<b>27,580,359</b>	11,709,460
Share of dividend paid	<b>(30,407,549)</b>	(25,479,828)
At the end of the year	<b>308,402,442</b>	311,229,632

The Funds have been accounted for using equity method in these financial statements as set out in the Company's accounting policies in note 3.7.

Dividends received from associates represent the actual amounts attributable and hence received by the Company. The other summary information that precedes the reconciliation to the Company's carrying amount represents amounts included in the financial statements of the associates, not the entity's share of these amounts, although they are adjusted to reflect fair value adjustments upon acquisition or accounting policy alignments.

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**9 INVESTMENTS IN ASSOCIATES (continued)**

The movement of investment in associates is as follow:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
At the beginning of the year	<b>517,273,442</b>	210,533,352
Addition	-	325,000,000
Share in results	<b>32,850,504</b>	15,689,918
Capital reduction	<b>(95,526,316)</b>	-
Dividend received during the year	<b>(45,437,023)</b>	(33,949,828)
Disposal of shares	<b>(49,998,362)</b>	-
	<hr/>	<hr/>
At the end of the year	<b>359,162,245</b>	517,273,442
	<hr/> <hr/>	<hr/> <hr/>

**10 PREPAYMENTS AND OTHER ASSETS**

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Accrued asset management fees (note 17)	<b>18,896,209</b>	24,147,538
Accrued advisory and corporate finance fees	<b>2,340,235</b>	13,594,063
Prepaid expenses	<b>1,517,629</b>	2,059,797
Accrued special commission income on deposits (note 17)	<b>547,916</b>	423,440
Due from a related party (note17)	<b>177,894</b>	15,590,903
Others	<b>1,940,727</b>	2,717,093
	<hr/>	<hr/>
	<b>25,420,610</b>	58,532,834
	<hr/> <hr/>	<hr/> <hr/>

**11 RECEIVABLES AGAINST MARGIN LENDING, NET**

The Company extends the margin-financing facilities to its customers to invest in the Saudi stock exchange (Tadawul) who wish to actively trade on a leveraged basis, secured by the tradable securities with an original maturity within 12 months. The term of the facilities given to customers are for 12 months.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Receivables against margin lending	<b>908,783,464</b>	669,590,924
Accrued special commission income	<b>2,589,600</b>	1,779,983
	<hr/>	<hr/>
	<b>911,373,064</b>	671,370,907
Expected credit loss allowance	<b>(1,173,680)</b>	(466,711)
	<hr/>	<hr/>
	<b>910,199,384</b>	670,904,196
	<hr/> <hr/>	<hr/> <hr/>

Expected credit loss allowance charged during the year is SR 706,969 (31 December 2020: SR 40,656).

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12 CASH AND CASH EQUIVALENTS

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Cash at hand	<b>40,000</b>	30,000
Cash held at banks – current accounts (note 17)	<b>18,284,789</b>	19,839,656
Cash held at banks – demand deposit (note 17)	<b>216,957,795</b>	108,127,723
	<b><u>235,282,584</u></b>	<b><u>127,997,379</u></b>

13 EMPLOYEES DEFINED BENEFIT OBLIGATION

The movement in employees defined benefit obligation for the year ended as follows:

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Balance at beginning of the year	<b>25,308,243</b>	25,669,647
Current service cost	<b>3,167,531</b>	2,502,641
Interest cost	<b>557,117</b>	808,880
Amount recognized in profit or loss account	<b>3,724,648</b>	3,311,521
Re-measurements		
Actuarial loss (gain)	<b>784,796</b>	(1,024,698)
Amount recognized in OCI	<b>784,796</b>	(1,024,698)
Benefits paid during the year	<b>(7,112,731)</b>	(2,648,227)
Balance at the end of the year	<b><u>22,704,956</u></b>	<b><u>25,308,243</u></b>

The Company carried out an employee benefits actuarial valuation of its liability, using the projected unit credit method, as at 31 December 2021 arising from the end of service benefits to qualifying in-service employees.

The following were the principal actuarial assumptions:

	<i>31 December</i> <b>2021</b>	<i>31 December</i> 2020
<i>Key actuarial assumptions</i>		
<i>Financial assumptions</i>		
Discount rate used	<b>2.90%</b>	2.60%
Salary growth rate*	<b>2.00%</b>	2.00%
<i>Demographic assumptions</i>		
Retirement age	<b>60</b>	60

\*A salary increase assumption of 2.00% p.a. for the first five years has been assumed by the Company and for the subsequent years a salary increase rate of 2.90% p.a. is assumed, and is based on actual salary increases in past years

*Sensitivity analysis*

A reasonably possible change to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary inflation and discount rate assumptions that were performed at the previous and current valuation date and the expected defined benefit obligation on each assumption are as follows:

	<i>31 December</i> <b>2021</b>	<i>31 December</i> 2020
Discount rate +1%	<b>19,875,022</b>	22,958,427
Discount rate -1%	<b>24,533,396</b>	28,068,315
Long term salary increases +1%	<b>24,530,736</b>	28,056,690
Long term salary increases -1%	<b>19,838,010</b>	22,924,082



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**14 LEASE LIABILITIES**

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

	<i>31 December</i> 2021 SR	<i>31 December</i> 2020 SR
At the beginning of the year	2,944,741	6,157,246
Additions	6,254,940	-
Disposal	(118,511)	(1,388,338)
Finance cost	292,299	188,195
Lease payments during the year	(1,953,946)	(2,012,362)
<b>At the end of the year</b>	<b>7,419,523</b>	<b>2,944,741</b>
Non-current lease liabilities	5,465,577	1,996,741
Current lease liabilities	1,953,946	948,000

**15 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>31 December</i> 2021 SR	<i>31 December</i> 2020 SR
Accrued employees' salaries and related benefits	7,457,336	5,323,936
Accrued insurance	2,391,380	1,965,567
Accrued software maintenance charges	1,681,062	1,077,765
Accounts payable	2,475,662	1,471,946
Accrued communication	1,975,768	1,914,569
Accrued internet subscription	1,658,468	1,734,395
Value added tax payable	1,158,155	1,241,503
Payable to The Saudi Stock Exchange Company (Tadawul)	767,234	963,523
Professional fees	613,909	527,909
Accrued social security	565,128	469,613
Accrued administrative fee	437,785	437,785
Others	6,303,078	6,037,577
	<b>27,484,965</b>	<b>23,166,088</b>

**16 ZAKAT AND INCOME TAX**

*a) Zakat and income tax charge*

	<i>31 December</i> 2021 SR	<i>31 December</i> 2020 SR
Share capital	1,000,000,000	1,000,000,000
Statutory and other reserve, beginning balance	61,726,306	50,846,263
Retained earnings, beginning balance	432,525,992	333,575,079
Adjusted net income	156,572,227	149,623,832
Employees' retirement benefits	18,980,306	22,906,521
Provisions	11,076,848	9,462,673
Property and equipment as per income tax law	(13,111,444)	(7,370,246)
Zakat base	<b>1,667,770,235</b>	<b>1,559,044,122</b>
Share of Saudi shareholder in the Zakat base @ 60%	<b>1,000,662,141</b>	<b>935,426,473</b>

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16 ZAKAT AND INCOME TAX (continued)

b) Zakat and income tax charge (continued)

Zakat is calculated based on the Zakat base. Some of these amounts have been adjusted in arriving at Zakat base for the year. Following is the composition of the Zakat and tax provision for the year:

	31 December 2021 SR	31 December 2020 SR
Zakat charge during the year	25,850,922	24,047,839
Tax charge during the year	12,846,623	11,748,857
Deferred tax charge / (reversal)	-	13,283
	<u>38,697,545</u>	<u>35,809,979</u>

c) Movement in zakat and income tax payable during the year

	Zakat SR	Income Tax SR	Total SR
<i>Movement for the year ended 31 December 2021</i>			
At the beginning of the year	23,121,208	8,242,705	31,363,913
Provided during the year	24,961,684	13,166,748	38,128,432
Reversal for prior year	889,238	(320,125)	569,113
Payments during the year	(24,010,446)	(13,743,168)	(37,753,614)
At the end of the year	<u>24,961,684</u>	<u>7,346,160</u>	<u>32,307,844</u>

	Zakat SR	Income Tax SR	Total SR
<i>Movement for the year ended 31 December 2020</i>			
At the beginning of the year	21,268,610	2,003,276	23,271,886
Provided during the year	24,061,122	11,748,857	35,809,979
Reversal for prior year	(13,283)	-	(13,283)
Payments during the year	(22,195,241)	(5,509,428)	(27,704,669)
At the end of the year	<u>23,121,208</u>	<u>8,242,705</u>	<u>31,363,913</u>

d) Status of assessment

The Company has finalized its Zakat and income tax assessments for the years ended 31 December 2008, 2009 and 2010. The Company has also filed the Zakat and income tax return for the years from 2011 to 2020, which are still under review with the GAZT. Zakat and income tax return for the year ended 31 December 2021 will be submitted subsequent to the financial statements issuance date.

e) Deferred tax

	Opening balance SR	Recognized in profit and loss account SR	Closing balance SR
<i>Movement for the year ended 31 December 2021</i>			
Property and equipment and intangible assets	435,457	-	435,457
Employees' defined benefit obligation	2,332,939	-	2,332,939
Provision for operational losses	37,337	-	37,337
	<u>2,805,733</u>	<u>-</u>	<u>2,805,733</u>

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16 ZAKAT AND INCOME TAX (continued)

e) *Deferred tax (continued)*

Movement for the year ended 31 December 2020

Property and equipment and intangible assets	524,958	(89,501)	435,457
Employees' defined benefit obligation	2,259,974	72,965	2,332,939
Provision for operational losses	34,084	3,253	37,337
	<u>2,819,016</u>	<u>(13,283)</u>	<u>2,805,733</u>

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, Funds under the Company's management and entities controlled or significantly influenced by such parties. Transactions with related parties included in the statement of comprehensive income are as follows:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Balances</u>	
		2021 SR	2020 SR
<b>Assets</b>			
Arab National Bank ('ANB')			
- Parent Company	Current accounts held with ANB (note 12)	<b>18,284,789</b>	19,839,655
	Demand deposit held with ANB (note 12)	<b>216,957,795</b>	108,127,723
	Accrued corporate finance fee income from ANB	<b>1,559,063</b>	2,421,563
	Accrued special commission income (note 10)	<b>547,916</b>	423,440
- Managed Funds	Accrued asset management fees (note 10)	<b>18,896,209</b>	24,147,538
	Due from a related party (note 10)	<b>177,894</b>	15,590,903
<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>	
		2021	2020
<b>Income</b>		SR	SR
Arab National Bank ('ANB')			
- Parent Company	Income from ANB discretionary portfolio management	<b>6,667,038</b>	4,714,124
	Corporate finance fee income	<b>2,550,000</b>	4,350,000
	Special commission income on deposits	<b>10,464,625</b>	13,898,700
	Advisory fee	<b>10,000,000</b>	50,300,500
		2021	2020
<b>Expense</b>		SR	SR
Arab National Bank ('ANB')			
Parent Company	Shared services cost allocated by ANB (note 22)	<b>(6,422,844)</b>	(6,422,844)
	Salaries and related benefits to key management	<b>(15,893,234)</b>	(14,865,729)
	Board of Directors fees	<b>(370,000)</b>	(370,000)

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**18 SHARE CAPITAL**

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Arab National Bank - Ordinary shares (SR 10 per share)	<b>100%</b>	100%

Share capital of SR 1,000 million (31 December 2021: SR 1,000 million) is divided into 100,000,000 shares (31 December 2020: 100,000,000 shares) of SR 10 each, which is wholly paid.

**19 STATUTORY RESERVE**

As required by the Saudi Arabian Companies' Law, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to the statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

**20 REVENUE**

a) Brokerage fee income, net

The brokerage income comprises of following:

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Gross brokerage income	<b>215,167,356</b>	185,372,754
Less: Tadawul fees	<b>(69,008,788)</b>	(59,459,093)
Less: Discounts	<b>(74,997,674)</b>	(57,253,345)
Electronic brokerage fees, net	<b>608,958</b>	228,911
	<b>71,769,852</b>	68,889,227

b) Asset management fees income

The asset management fee comprises of following:

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
<i>Management and administrative fees from:</i>		
Mutual funds	<b>32,069,769</b>	33,170,743
Discretionary portfolios	<b>14,351,992</b>	9,127,300
Subscription fees	<b>92,213</b>	10,425
	<b>46,513,974</b>	42,308,468

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**21 SALARIES AND RELATED BENEFITS**

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Basic salaries	<b>29,100,586</b>	28,373,586
Staff bonus	<b>9,858,112</b>	7,304,613
Housing allowances	<b>5,042,400</b>	5,074,641
Defined benefit obligations	<b>3,724,650</b>	3,311,521
Social security charges	<b>2,462,465</b>	2,476,476
Employees medical expenses	<b>2,233,453</b>	2,161,410
Transportation and travelling allowances	<b>1,061,643</b>	1,821,409
Others	<b>2,989,203</b>	4,175,038
	<b>56,472,512</b>	54,698,694

**22 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Shared services cost allocated from Arab National Bank (ANB) (note 17)	<b>6,422,844</b>	6,422,844
Software maintenance and support	<b>4,783,861</b>	3,941,647
Subscription fees	<b>2,436,058</b>	2,459,226
Communication	<b>1,430,543</b>	1,160,263
Professional and consultancy fees	<b>514,750</b>	1,387,063
Insurance	<b>432,323</b>	439,218
Board of director's fees (note 17)	<b>370,000</b>	370,000
License fee	<b>240,170</b>	210,833
Others	<b>4,447,774</b>	3,417,870
	<b>21,078,323</b>	19,808,964

**23 EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
Income for the year	<b>116,371,975</b>	108,806,256
Weighted average number of ordinary shares	<b>100,000,000</b>	100,000,000
Basic and diluted, income for the year per share	<b>1.16</b>	1.09

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**24 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2021 and 31 December 2020.

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
<i>Financial assets at amortised cost</i>		
Receivable against margin lending, net	<b>910,199,384</b>	670,904,196
<i>Financial assets at fair value through profit or loss</i>		
Al Mubarak SAR Trade Fund (note 8.1)	<b>64,721,356</b>	173,974,456
Al Mubarak Real Estate Income Fund (note 8.3)	<b>3,166,600</b>	2,926,131
Al Dar Investment Fund 2 (note 8.4)	<b>30,000,000</b>	-
Al Arabi Al Argan Real Estate Development Fund (note 8.5)	<b>44,500,000</b>	-
Local equities listed in Tadawul (note 8.6)	<b>11,377,819</b>	-
Al Mubarak Diyar Jeddah Real-estate Fund (note 8.2)	-	11,442,881
<b>Total financial assets</b>	<b>1,063,965,159</b>	859,247,664
<b>Total current</b>	<b>910,199,384</b>	670,904,196
<b>Total non-current</b>	<b>153,765,775</b>	188,343,468

Set out below is an overview of financial liabilities held by the Company as at 31 December 2021 and 31 December 2020.

	<i>31 December</i> <b>2021</b> SR	<i>31 December</i> 2020 SR
<i>Financial liabilities at amortised cost</i>		
Accrued expenses and other payables	<b>27,484,965</b>	23,166,088
Zakat and income tax payable	<b>32,307,844</b>	31,363,913
<b>Total financial liabilities at amortised cost</b>	<b>59,792,809</b>	54,530,001
<b>Total current</b>	<b>59,792,809</b>	54,530,001
<b>Total non-current</b>	-	-

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**25 FAIR VALUE HIERARCHY**

The following table provides the fair value measurement hierarchy of the Company's financial assets as at 31 December 2021 and 31 December 2020. There are no financial liabilities measured at fair value. The fair value of other financial assets and financial liabilities approximate their carrying value.

	<i>Total</i>	<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
	SR	SR	SR	SR
<i>As at 31 December 2021</i>				
<i>Financial assets measured at fair value</i>				
Al Mubarak SAR Trade Fund (note 8.1)	<b>64,721,356</b>	-	<b>64,721,356</b>	-
Al Mubarak Real-estate Income Fund (note 8.3)	<b>3,166,600</b>	-	-	<b>3,166,600</b>
Al Dar Investment Fund 2 (note 8.4)	<b>30,000,000</b>	-	-	<b>30,000,000</b>
Al Arabi Al Argan Real Estate Development Fund (note 8.5)	<b>44,500,000</b>	-	-	<b>44,500,000</b>
Local equities listed in Tadawul (note 8.6)	<b>11,377,819</b>	<b>11,377,819</b>	-	-
<i>As at 31 December 2020</i>				
<i>Financial assets measured at fair value</i>				
Al Mubarak SAR Trade Fund (note 8.1)	173,974,456	-	173,974,456	-
Al Mubarak Diyar Jeddah Real-estate Fund (note 8.2)	11,442,881	-	-	11,442,881
Al Mubarak Real-estate income Fund (note 8.3)	2,926,131	-	-	2,926,131

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

**26 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES**

*Introduction*

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company'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 Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, and credit risk and investment holding period risk arising from the financial instruments it holds.

*Risk management structure*

The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

*Risk measurement and reporting system*

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

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26 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Risk mitigation*

The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

*Excessive risk concentration*

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

*Credit risk*

Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, for whom the credit risk is assessed to be low. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

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

	<i>31 December</i> 2021 SR	<i>31 December</i> 2020 SR
Receivable against margin lending (note 11)	<b>910,199,384</b>	670,904,196
Investments at fair value through profit or loss (FVTPL) (note 8)	<b>153,765,775</b>	188,343,468
Investments in associates (note 9)	<b>359,162,245</b>	517,273,442
Cash and cash equivalents (note 12)	<b>235,282,584</b>	127,967,379
	<b><u>1,658,409,988</u></b>	<u>1,504,488,485</u>

*Credit concentration*

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date.

The management has conducted an assessment as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents, time deposits, due from related parties and other financial assets.

*Liquidity risk*

Liquidity risk is the risk that the Company 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 ensuring that sufficient funds are available from Shareholders and related parties at all times to meet any future commitments, and financing facilities are available.



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26 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk (continued)*

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

<b>31 December 2021</b>	<b>On Demand SR</b>	<b>Within 3 months SR</b>	<b>3 months to 1 year SR</b>	<b>Above 1 year SR</b>	<b>No fixed maturity SR</b>	<b>Total SR</b>
Accrued expenses and other liabilities	<u>10,718,157</u>	<u>1,559,137</u>	<u>15,207,671</u>	-	-	<u>27,484,965</u>
<b>Total financial liabilities</b>	<u><u>10,718,157</u></u>	<u><u>1,559,137</u></u>	<u><u>15,207,671</u></u>	-	-	<u><u>27,484,965</u></u>
<b>31 December 2020</b>						
Accrued expenses and other liabilities	<u>7,955,367</u>	<u>1,207,744</u>	<u>14,002,977</u>	-	-	<u>23,166,088</u>
<b>Total financial liabilities</b>	<u><u>7,955,367</u></u>	<u><u>1,207,744</u></u>	<u><u>14,002,977</u></u>	-	-	<u><u>23,166,088</u></u>

**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments equals their fair value. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities carry fixed interest rates and mature within five years.

**Equity price risk**

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments as a result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Board manages this risk through diversification of its investment portfolio in terms of geographical distribution and/or industry concentration.

**Sensitivity analysis**

The table below sets out the effect on profit or loss and other comprehensive income of a reasonably possible weakening/strengthening in the individual market prices by 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

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26 FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Sensitivity analysis (continued)*

<i>Effect on profit and loss</i>	2021		2020	
		SR		SR
<i>Net (loss) gain on investments held at fair value through profit or loss</i>	+ 5%	<b>7,688,289</b>	+ 5%	9,417,173
	- 5%	<b>(7,688,289)</b>	- 5%	(9,417,173)

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US dollars during the year and Saudi Riyals are pegged to the US dollar.

27 SEGMENT INFORMATION

2021	<i>Brokerage</i> SR	<i>Asset management services</i> SR	<i>Corporate finance and real estate advisory</i> SR	<i>Treasury</i> SR	<i>Margin financing</i> SR	<i>Head office</i> SR	<i>Total</i> SR
Revenue	<b>71,769,853</b>	<b>29,780,647</b>	<b>34,861,797</b>	<b>10,468,818</b>	<b>26,973,289</b>	<b>31,545,684</b>	<b>205,400,088</b>
Expenses*	<b>(31,899,273)</b>	<b>(18,246,593)</b>	<b>(16,130,537)</b>	-	<b>(2,657,217)</b>	<b>(13,955,153)</b>	<b>(82,888,773)</b>
Income from operations	<b>39,870,580</b>	<b>11,534,054</b>	<b>18,731,260</b>	<b>10,468,818</b>	<b>24,316,072</b>	<b>17,590,531</b>	<b>122,511,315</b>
Total assets	<b>4,912,262</b>	<b>14,410,615</b>	<b>2,340,234</b>	<b>216,957,795</b>	<b>910,199,384</b>	<b>550,936,475</b>	<b>1,699,756,765</b>
Total liabilities	<b>711,266</b>	<b>351,745</b>	-	-	<b>1,173,680</b>	<b>87,680,597</b>	<b>89,917,288</b>
<i>2020</i>							
Revenue	68,889,227	42,308,468	70,866,942	13,898,700	22,344,285	93,163	218,400,785
Expenses*	(30,285,548)	(18,872,925)	(15,420,449)	-	(11,906,221)	(12,989,325)	(89,474,468)
Income from operations	38,603,679	23,435,543	55,446,493	13,898,700	10,438,064	(12,896,162)	128,926,317
Total assets	8,638,849	47,231,634	2,594,062	108,127,723	670,904,195	739,538,820	1,577,035,283
Total liabilities	1,071,279	247,648	-	-	466,711	80,997,347	82,782,985

\* Total expenses and income from operations are not matching with the statement of profit or loss because finance cost has been taken to margin lending for the purpose of segment reporting.

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**28 CAPITAL COMMITMENTS AND CONTINGENCIES**

As at 31 December, the Company has the following commitments:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Un-utilized margin lending limits	<b>1,002,411,740</b>	606,306,094
Capital commitments	<b>6,921,000</b>	1,158,475
	<b>1,009,332,740</b>	607,464,569

**29 SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since 31 December 2021 that would have a material impact on the financial position or financial performance of the Company as reflected in these financial statements.

**30 CAPITAL ADEQUACY**

The Capital Market Authority has issued Prudential Regulations (the “Rules”) dated 30 December 2012 (corresponding to 17 Safar 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
<b>Capital base</b>		
Tier I	<b>1,601,433</b>	1,483,499
<b>Total</b>	<b>1,601,433</b>	1,483,499
<b>Minimum capital</b>		
Market risk	<b>12,403</b>	27,836
Credit risk	<b>451,233</b>	460,732
Operational risk	<b>28,697</b>	25,433
<b>Total</b>	<b>492,333</b>	514,001
<b>Capital adequacy ratio</b>	<b>3.25</b>	2.89
<b>Surplus</b>	<b>1,109,100</b>	969,498

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**30 CAPITAL ADEQUACY (continued)**

- a) The Capital Base of the Company comprises of
  - Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
- b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.
- c) The Company's business objectives when managing capital adequacy is to comply with the minimum capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- d) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.
- e) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.
- f) The above calculations are based on the respective Capital Adequacy Model (CAM) that was provided by CMA as of the corresponding financial statement reporting years.

**31 IMPACT OF COVID-19 ON BUSINESS AND OPERATIONS**

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Kingdom of Saudi Arabia in particular implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" 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 unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements. These developments could impact our future financial results, cash flows and financial condition.

**32 ASSETS HELD UNDER FIDUCIARY CAPACITY**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, since the Company does not earn economic benefits from these assets and accordingly treated as off balance sheet items.

**32.1 Assets under management**

These represents Mutual Funds' and Discretionary portfolio assets managed by the Company, which amount to SR 7.4 billion as at 31 December 2021 (2020: SR 7.5 billion).

**32.2 Clients' cash accounts**

The Company was holding clients' cash accounts with ANB, which amount to SR 3.8 billion as at 31 December 2021 (2020: SR 3.7 billion), to be used for investments on the clients' instructions. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

**33 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors on 24 March 2022 (corresponding to 21 Sha'ban 1443H).