

**MIZUHO SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK
COMPANY)**

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

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are 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 the 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 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 Bylaws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 management is responsible for overseeing the Company's financial reporting process.

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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) - (continued)**

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

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.

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

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. 437

Riyadh: 24 Sha'ban 1443H
(27 March 2022)



Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 SR	2020 SR
ASSETS			
NON-CURRENT ASSETS			
Right-of-use assets	14	2,703,388	3,457,774
Property and equipment	6	34,380	86,359
Intangible assets	7	-	67,386
Deferred tax assets	16	336,416	298,201
TOTAL NON-CURRENT ASSETS		3,074,184	3,909,720
CURRENT ASSETS			
Prepayments and other assets	8	450,841	425,675
Term deposits	10	60,000,000	-
Cash and cash equivalents	9	6,935,739	68,330,833
TOTAL CURRENT ASSETS		67,386,580	68,756,508
TOTAL ASSETS		70,460,764	72,666,228
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	18	75,000,000	75,000,000
Accumulated losses		(9,980,596)	(8,100,426)
Actuarial valuation reserve	11	843,070	833,239
TOTAL SHAREHOLDERS' EQUITY		65,862,474	67,732,813
NON-CURRENT LIABILITIES			
Employees' defined benefit liabilities	11	220,434	157,934
Non-current portion of lease liability	14	1,598,348	2,340,955
TOTAL NON-CURRENT LIABILITIES		1,818,782	2,498,889
CURRENT LIABILITIES			
Accrued expenses and other payables	12	1,797,223	1,487,994
Current portion of lease liability	14	742,608	707,246
Contract liabilities	13	239,677	239,286
TOTAL CURRENT LIABILITIES		2,779,508	2,434,526
TOTAL LIABILITIES		4,598,290	4,933,415
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		70,460,764	72,666,228

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
Advisory revenue		<u>5,953,580</u>	<u>6,876,561</u>
TOTAL REVENUE		<u>5,953,580</u>	<u>6,876,561</u>
General and administrative expenses	15	(7,065,038)	(7,443,282)
Depreciation and amortisation		(68,196)	(90,908)
Depreciation of right-of-use assets	14	<u>(754,386)</u>	<u>(773,261)</u>
TOTAL EXPENSES		<u>(7,887,620)</u>	<u>(8,307,451)</u>
Special commission income		179,625	662,583
Interest expenses		(140,927)	(148,406)
Other expense, net		<u>(23,043)</u>	<u>-</u>
LOSS BEFORE TAX		<u>(1,918,385)</u>	<u>(916,713)</u>
Income tax expenses	16	<u>38,215</u>	<u>(18,897)</u>
LOSS FOR THE YEAR		<u>(1,880,170)</u>	<u>(935,610)</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on defined benefit liabilities	11	<u>9,831</u>	<u>64,661</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(1,870,339)</u></u>	<u><u>(870,949)</u></u>

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

	<i>Share capital</i> SR	<i>Accumulated losses</i> SR	<i>Actuarial valuation reserve (note 11)</i> SR	<i>Total</i> SR
As at 1 January 2020	75,000,000	(7,164,816)	768,578	68,603,762
Loss for the year	-	(935,610)	-	(935,610)
Other comprehensive income	-	-	64,661	64,661
Total comprehensive loss	-	(935,610)	64,661	(870,949)
As at 31 December 2020	75,000,000	(8,100,426)	833,239	67,732,813
Loss for the year	-	(1,880,170)	-	(1,880,170)
Other comprehensive income	-	-	9,831	9,831
Total comprehensive loss	-	(1,880,170)	9,831	(1,870,339)
As at 31 December 2021	75,000,000	(9,980,596)	843,070	65,862,474

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 SR	2020 SR
OPERATING ACTIVITIES			
Loss before tax		(1,918,385)	(916,713)
<i>Adjustments to reconcile loss before tax to net cash flows:</i>			
Depreciation of right-of-use assets	14	754,386	773,261
Depreciation of property and equipment	6	51,979	54,144
Amortisation of intangible assets	7	16,217	36,764
Lease interest expense	14	135,120	144,499
Provision for employees' defined benefit liabilities	11	107,520	134,596
Special commission income		(179,625)	(662,583)
Loss on disposal of intangible asset		51,169	-
Operating cash flows before movements in working capital		(981,619)	(436,032)
<i>Movements in working capital</i>			
Prepayments and other assets		39,459	(93,535)
Accrued expenses and other payables		309,229	586,765
Contract liability		391	(46,107)
		(632,540)	11,091
Special commission income received		115,000	1,291,056
Payment of interest portion of lease liabilities	14	(46,569)	(46,569)
Payment of employees' defined benefit liabilities	11	(35,189)	(5,647)
Income tax paid	16	-	(1,384,094)
Net cash used in operating activities		(599,298)	(134,163)
INVESTING ACTIVITIES			
Addition of property and equipment		-	(13,798)
Movement in term deposit, net	10	(60,000,000)	50,000,000
Net cash (used in) from investing activities		(60,000,000)	49,986,202
FINANCING ACTIVITY			
Payment of principal portion of lease liabilities	14	(795,796)	(795,796)
Net cash used in financing activity		(795,796)	(795,796)
(Decrease) increase in cash and cash equivalents		(61,395,094)	49,056,243
Cash and cash equivalents at the beginning of the year	9	68,330,833	19,274,590
Cash and cash equivalents at the end of the year	9	6,935,739	68,330,833
<i>Non-cash flow information:</i>			
Remeasurement gain on defined benefit liabilities	11	9,831	64,661
Right of use assets		-	2,902,660
Lease liability		-	2,902,660

The accompanying notes from 1 to 22 form an integral part of these financial statements.

Mizuho Saudi Arabia Company (A Saudi Closed Joint Stock Company)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. INCORPORATION AND ACTIVITIES

Mizuho Saudi Arabia Company (the “Company”) is a Saudi closed joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430H (corresponding to 15 February 2009). The Company is registered with the Capital Market Authority (“CMA”) under license numbered 11158-30. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the Company has also obtained a license from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008). The registered office is located at North lobby 1st floor, Al Faisaliah Tower, King Fahad Road, Riyadh 11544, KSA.

The Company is solely authorised by CMA to conduct the activities of arranging and advising in securities business.

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

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

2.2 *Judgments and estimates*

The preparation of the financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies as discussed in note 5.

2.3 *Basis of measurement, presentation and functional currency*

These financial statements have been prepared on a historical cost basis except for the measurement of the employees' defined benefit that is determined at the present value of future liabilities using the expected unit credit method. These financial statements are presented in Saudi Riyal (“SR”), which is the Company’s functional and presentation currency and all values are rounded to the nearest SR, except when otherwise indicated.

2.4 *New and amended standards and interpretations*

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.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

2 BASIS OF PREPARATION (CONTINUED)

2.4 New and amended standards and interpretations (continued)

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

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

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

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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
- 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.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Reference to the Conceptual Framework – Amendments to IFRS 3

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

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

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. This standard is not applicable to the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments to the definition of accounting estimates are not expected to have an impact on the Company’s financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments to the disclosure of accounting policies are not expected to have an impact on the Company’s accounting policies disclosures.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Current versus non-current classification

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

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

The Company classifies all other assets as non-current.

A liability is classified as current when:

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

The Company classifies all other liabilities as non-current.

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, if market participants act in their economic best interest.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

For fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

Revenue from contracts with customers

Advisory fees

The Company is in the business of conducting the activities of arranging and advising in securities business. Revenue from contracts with customers is recognised overtime when the services are delivered to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. The Company has concluded that it is the principal in its revenue arrangements.

When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Other income is recognised when earned.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. 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 country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and 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.

NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in statement of comprehensive income ("OCI") or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Value added tax

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

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

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

Foreign currency transactions and balances

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

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

Differences arising on settlement or translation of monetary items are recognised 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.

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31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions and balances (continued)

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

Property and equipment

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

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

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

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

Leasehold improvements	10%
Furniture and fixtures	20%
Computer hardware	20%
Motor vehicles	20%

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

Leases

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

Company as a lessee

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

i) 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Buildings are depreciated over the lease term of 5 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii) Lease liabilities

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

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

The Company's lease liabilities are included in Interest-bearing liabilities.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 20% to its computers' software and accounted for on a straight-line basis.

An intangible asset is derecognized on disposal (i.e., at the date the recipient obtains control), or when no future economic benefits are expected from use or disposal. Any gain or loss arising upon derecognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

Impairment of tangible and intangible assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

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

Financial instruments

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

Initial recognition and measurement

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

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

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

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

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

i) Financial assets

Subsequent measurement

For the purpose of subsequent measurement, all Company's financial assets are classified at amortised cost.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash and cash equivalents

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

Term deposits

Term deposits consist of deposits with a local bank with a maturity of more than three months from the date of the acquisition.

Derecognition

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

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

Impairment

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

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

ii) Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs. At 31 December 2021, all Company's financial liabilities are classified at amortised cost.

Subsequent measurement

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

Other payable and lease liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

iii) Offsetting of financial instruments

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

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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Statutory reserve

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

Provision for expected credit losses of trade receivables and contract assets (continued)

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

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

Economic useful lives of property and equipment

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

Extension and termination options

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

Defined benefit plans

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

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

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

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

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has SR 13,926,756 (2020: SR 13,936,587) of tax losses carried forward and actuarial gains or loss. These losses relate to prior years' results.

If the Company was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by SR 2,003,762.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Company does not enter into financing transactions hence no, therefore, it estimates the IBR using the IBR of the parent company that is obtained from the centralised treasury which is adjusted for the company's specific and country's specific risk premium.

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6. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer hardware SR</i>	<i>Vehicles SR</i>	<i>Total SR</i>
Cost:					
At 1 January 2020	1,583,099	321,021	1,059,230	388,550	3,351,900
Additions	-	-	13,798	-	13,798
Disposals	-	(8,539)	(626,794)	(163,000)	(798,333)
At 31 December 2020 and 2021	1,583,099	312,482	446,234	225,550	2,567,365
Depreciation:					
At 1 January 2020	1,583,099	319,020	1,047,301	275,775	3,225,195
Charge for the year	-	960	8,000	45,184	54,144
Disposals	-	(8,539)	(626,794)	(163,000)	(798,333)
At 31 December 2020	1,583,099	311,441	428,507	157,959	2,481,006
Charge for the year	-	959	5,836	45,184	51,979
At 31 December 2021	1,583,099	312,400	434,343	203,143	2,532,985
Net book value:					
At 31 December 2021	-	82	11,891	22,407	34,380
At 31 December 2020	-	1,041	17,727	67,591	86,359

7. INTANGIBLE ASSETS

	<i>Software SR</i>
Cost:	
At 1 January 2020	1,268,127
Disposal	(1,084,334)
At 31 December 2020	183,793
Disposal	(183,793)
At 31 December 2021	-
Amortization:	
At 1 January 2020	1,163,977
Amortisation for the year	36,764
Disposal	(1,084,334)
At 31 December 2020	116,407
Amortisation for the year	16,217
Disposal	(132,624)
At 31 December 2021	-
Net book value:	
At 31 December 2021	-
At 31 December 2020	67,386

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

8. PREPAYMENTS AND OTHER ASSETS

	2021 SR	2020 SR
Prepayments	280,195	298,351
Deposits with others	80,315	90,315
Accrued income	77,125	-
Other	13,206	37,009
	<u>450,841</u>	<u>425,675</u>

9. CASH AND CASH EQUIVALENTS

	2021 SR	2020 SR
Cash at bank	6,927,465	68,323,855
Cash in hand	8,274	6,978
	<u>6,935,739</u>	<u>68,330,833</u>

10. TERM DEPOSITS

	2021 SR	2020 SR
Term deposits with a local bank	60,000,000	-
	<u>60,000,000</u>	<u>-</u>

At 31 December 2021, the Company has term deposits amounting to SR 60,000,000. The average effective commission rate on term deposits as at 31 December 2021 is 0.48% which will mature during the year 2022.

11. EMPLOYEES' DEFINED BENEFIT LIABILITIES

	2021 SR	2020 SR
Balance at the beginning of the year	157,934	93,646
Current service cost	137,800	130,689
Past service cost	(36,087)	-
Interest cost	5,807	3,907
Actuarial gain	(9,831)	(64,661)
Benefits paid	(35,189)	(5,647)
Balance at the end of the year	<u>220,434</u>	<u>157,934</u>

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2021 SR	2020 SR
Discount rate	3.40%	3.35%
Withdrawal	5.00%	5.00%
Rate of salary increases	2.5%	2.5%

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

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

11. EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Movements in actuarial gains recognised in OCI are as follows:

	2021 SR	2020 SR
At the beginning of the year	833,239	768,578
Remeasurement (loss) – effect of changes in financial assumptions	-	-
Remeasurement gain – effect of experience adjustments	9,831	64,661
At the end of the year	<u>843,070</u>	<u>833,239</u>

Sensitivity analysis

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

	2021 SR	2020 SR
Increase in discount rate of 1%	(38,077)	(25,545)
Decrease in discount rate of 1%	47,779	32,309
Increase in rate of salary increase of 1%	47,727	32,256
Decrease in rate of salary increase of 1%	<u>(38,712)</u>	<u>(25,958)</u>

The following are the expected payments to the defined benefit in future years:

	2021 SR	2020 SR
Within the next 12 months	2,457	1,285
Between 2 and 5 years	47,105	41,615
Beyond 5 years	<u>215,997</u>	<u>352,145</u>

12. ACCRUED EXPENSES AND OTHER PAYABLES

	2021 SR	2020 SR
Accrued expenses	1,771,544	1,437,817
Other payables	25,679	50,177
	<u>1,797,223</u>	<u>1,487,994</u>
Analyzed between:		
Current liabilities	1,797,223	1,487,994
Non-Current Liabilities	-	-
Current accrued expenses and other payables	<u>1,797,223</u>	<u>1,487,994</u>

Terms and conditions of the above financial liabilities:

- Other payables are non-interest bearing and have a term of three months.

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

13. CONTRACT LIABILITIES

	2021 SR	2020 SR
Contract liabilities		
Current	<u>239,677</u>	239,286
Total contract liabilities	<u><u>239,677</u></u>	<u><u>239,286</u></u>

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related services. Contract liabilities are recognised as revenue when the Company performs under the contract.

14. LEASES

The Company has lease contracts for buildings used for office and employees' accommodation. Leases of buildings generally have lease terms of 5 years. The Company is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<i>Right of use assets - Building SR</i>
As at 1 January 2020	1,328,375
Additions	2,902,660
Depreciation expense	<u>(773,261)</u>
At 31 December 2020	3,457,774
Depreciation expense	<u>(754,386)</u>
At 31 December 2021	<u>2,703,388</u>

Set out below are the carrying amounts of lease liabilities (included under interest-bearing liabilities) and the movements during the year:

	<i>Lease liability SR</i>
As at 1 January 2020	843,407
Additions	2,902,660
Accretion of interest	144,499
Payment of principal portion of lease liabilities	(795,796)
Payment of interest portion of lease liabilities	<u>(46,569)</u>
At 31 December 2020	3,048,201
Accretion of interest	135,120
Payment of principal portion of lease liabilities	(795,796)
Payment of interest portion of lease liabilities	<u>(46,569)</u>
At 31 December 2021	<u>2,340,956</u>
Current	742,608
Non-Current	<u>1,598,348</u>

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NOTES TO FINANCIAL STATEMENTS (continued)

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14. LEASES (continued)

The following are the amounts recognised in profit or loss:

	2021 SR	2020 SR
Depreciation expense of right-of-use assets	754,386	773,261
Interest expense on lease liabilities	135,120	144,499
Total	889,506	917,760

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2021 SR	2020 SR
Employees' benefits	5,581,659	5,019,806
Professional fees	726,482	1,465,269
Information technology	191,051	348,319
Withholding tax	116,696	225,424
Travelling and related costs	705	50,052
Other	448,445	334,412
	7,065,038	7,443,282

16. TAXATION

16.1 Income Tax

	2021 SR	2020 SR
Current taxation-current year	-	-
Tax adjustment for prior years	-	31,872
Deferred tax adjustment for the year (see note (16.2))	(38,215)	(12,975)
	(38,215)	18,897

The current year provision is based on 20% of the adjusted taxable profit. Differences between the financial and taxable profit are mainly due to provisions and certain expenses which are disallowed for tax purposes.

The movement in income tax payable is as follows:

	2021 SR	2020 SR
Balance at beginning of the year	-	1,352,222
Charged to profit or loss	-	31,872
Paid during the year	-	(1,384,094)
Balance at end of the year	-	-

Reconciliation of tax expense and the accounting profit multiplied by KSA's domestic tax rate for 2020 and 2021:

	2021 SR	2020 SR
Accounting loss before income tax	(1,918,385)	(916,713)
Add: Non-deductible expenses for tax purposes	396,348	1,381,019
Less: Utilisation of previously unrecognised tax losses	-	-
Less: Claims	(173,056)	(1,015,440)
Adjusted (loss) profit for Income Tax Calculation	(1,695,093)	(551,134)
Income tax expense at 20% reported in the statement of profit or loss	-	-

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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

16. TAXATION (continued)

16.2 Deferred Tax

The Company has recognized deferred tax at the reporting date, in respect of timing differences due to disallowance of the employee's defined benefit and differences in the basis of depreciation calculated at an income tax rate of 20%.

Movement in deferred tax asset during the year is

	2021 SR	2020 SR
At the beginning of the year	298,201	285,226
Adjustment made during the year	38,215	12,975
At the end of the year	<u>336,416</u>	<u>298,201</u>

Comprising of:

	2021 SR	2020 SR
Accelerated depreciation	179,402	155,653
Employee defined benefit liabilities	157,014	142,548
	<u>336,416</u>	<u>298,201</u>

Status of assessments

The Company has filed its tax declarations with the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended 31 December 2020. No assessment has been raised by the ZATCA as yet.

17. RELATED PARTY INFORMATION

The following are the details of the significant transactions with related parties during the year:

<i>Related party</i>	<i>Nature of transaction</i>	2021 SR	2020 SR
Shareholder	Advisory and services income	5,785,761	6,596,672
	Expenses and salaries paid on behalf of the Company	694,100	1,249,384
Key management personnel	Short-term employees' benefits	341,805	176,168

18. SHARE CAPITAL

The authorised, issued and paid up share capital consists of 7.5 million shares (2020: 7.5 million shares) of SR 10 each.

19. CONTINGENT LIABILITIES

The Company had no contingent liabilities in existence at the reporting date.

Mizuho Saudi Arabia Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

20.1 Financial Assets

	2021 SR	2020 SR
Instruments at amortised cost:		
Cash and cash equivalents	6,935,739	68,330,833
Term deposits	60,000,000	-
Deposits with others	80,315	90,315
Accrued income	77,125	-
Other assets	13,206	37,009
	<u>67,106,385</u>	<u>68,458,157</u>

Management has conducted a review as required by IFRS 9. Based on such assessment, management believes that there is no need for any significant impairment against the carrying values of cash and cash equivalents, term deposit and accrued income.

20.2 Fair Values

At 31 December 2021, the fair values of Company's financial assets and financial liabilities approximate the carrying value. These are all categorised within Level 2 of the fair value hierarchy.

20.3 Financial Instruments Risk Management Objectives and Policies

The Company's financial liabilities comprise other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's financial assets include cash at bank, term deposits and accrued income. The Company is exposed to market risk and credit risk. The Company's management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to two types of risk: interest rate risk, and currency risk. Financial instruments affected by market risk

Interest rate risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Mizuho Saudi Arabia Company
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NOTES TO FINANCIAL STATEMENTS (continued)

31 December 2021

20. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its cash at bank, deposits with banks and accrued income.

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

	2021 SR	2020 SR
Term deposits with a local bank	60,000,000	-
Cash at bank and cash in hand	6,935,739	68,330,833
Deposits with others	80,315	90,315
Accrued income	77,125	-
Other assets	13,206	37,009
	<u>67,106,385</u>	<u>68,458,157</u>

Liquidity risk

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

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

31 December 2021	Within 3 months SR	3 months to 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Lease liabilities	-	842,365	1,684,730	-	2,527,095
Other payables	25,679	-	-	-	25,679
	<u>25,679</u>	<u>842,365</u>	<u>1,684,730</u>	<u>-</u>	<u>2,552,774</u>

31 December 2020	Within 3 months SR	3 months to 1 year SR	1 to 5 years SR	More than 5 years SR	Total SR
Lease liabilities	-	842,365	2,527,095	-	3,369,460
Other payables	50,177	-	-	-	50,177
	<u>50,177</u>	<u>842,365</u>	<u>2,527,095</u>	<u>-</u>	<u>3,419,637</u>

21. IMPACT OF COVID-19 AND ON COMPANY AND OPERATION

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, subsequently in March 2020 it was declared as a pandemic by the World Health Organization (WHO). The virus continued to spread throughout in nearly all regions around the world including the kingdom of Saudi Arabia, which resulted in a slowdown of economic and social activities and shutdowns of many sectors at global and local levels.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities, the Company has assessed its impact on its current and future operational activities and has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

21. IMPACT OF COVID-19 AND ON COMPANY AND OPERATION (continued)

At the end of the second quarter of 2020, the government of the Kingdom of Saudi Arabia has allowed the return of all economic and commercial activities, while observing the implementation of all preventive measures adopted, and commitment to social distancing. During the fourth quarter of 2020, several vaccines which passed the testing phase effectively and began to be manufactured and distributed globally to many countries, including the Kingdom of Saudi Arabia.

As of the date of preparing these financial statements, the Company's operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on the Company's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

22. APPROVALS OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized to issue by the Board of Directors on 11 Sha'ban 1443H (corresponding to 14 March 2022).