UBS Saudi Arabia
(A Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

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As at 31 December 2022

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

Opinion

We have audited the financial statements of UBS Saudi Arabia (A Closed Joint Stock Company) (the "Company"), which comprise of the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the 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 2022, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Board of Directors and Those Charged with Governance for the Financial Statements

Board of Directors 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 for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

for Ernst & Young Professional Services

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

Riyadh: 6 Ramadhan1444H
(28 March 2023)

CR 1010383821
Ernst & Young Professional Services (Professional LLC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022* *SR*	*2021* *SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	8	**69,109**	93,285
Right-of-use asset	9	**931,506**	1,950,783
Deferred tax asset	11	**905,612**	1,188,397
TOTAL NON-CURRENT ASSETS		**1,906,227**	3,232,465
CURRENT ASSETS			
Prepayments and other assets	7	**556,480**	1,016,001
Amounts due from related parties	16	**789,366**	1,055,683
Cash and cash equivalents	6	**113,592,445**	110,634,234
TOTAL CURRENT ASSETS		**114,938,291**	112,705,918
TOTAL ASSETS		**116,844,518**	115,938,383
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	13	**110,000,000**	110,000,000
Retained earnings		**2,722,116**	997,857
Statutory reserve		**430,209**	161,578
TOTAL SHAREHOLDERS' EQUITY		**113,152,325**	111,159,435
NON-CURRENT LIABILITIES			
Employees' end-of-service benefits	12	**1,400,916**	1,599,969
Lease liability - non-current portion	9	**-**	740,225
TOTAL NON-CURRENT LIABILITIES		**1,400,916**	2,340,194
CURRENT LIABILITIES			
Accrued expenses and other liabilities	10	**918,918**	949,908
Income tax payable	11	**543,675**	287,104
Amounts due to related parties	16	**88,459**	104,341
Lease liabilities - current portion	9	**740,225**	1,097,401
TOTAL CURRENT LIABILITIES		**2,291,277**	2,438,754
TOTAL LIABILITIES		**3,692,193**	4,778,948
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**116,844,518**	115,938,383

The attached notes from 1 to 21 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
As at 31 December 2022

	Notes	***2022*** ***SR***	*2021* *SR*
Service and other fees	14	**15,608,151**	17,010,294
Special commission income	14	**2,269,086**	498,356
TOTAL REVENUE		**17,877,237**	17,508,650
General and administrative expenses	15	**(14,189,183)**	(15,452,141)
OPERATING PROFIT BEFORE TAX		**3,688,054**	2,056,509
Income tax charge for the year	11	**(1,001,743)**	(440,726)
NET PROFIT FOR THE YEAR		**2,686,311**	1,615,783
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of employees' end-of-service benefits	12	**147,878**	(341,892)
Deferred tax charge on re-measurement of Actuarial gain on employee's end-of-service benefits	11	**148,701**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,982,890**	1,273,891

The attached notes from 1 to 21 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2022

	Share capital *SR*	*Retained earnings* *SR*	*Statutory reserve* *SR*	*Total* *SR*
Balance as at 31 December 2020	110,000,000	(114,456)	-	109,885,544
			-	-
Net profit for the year	-	1,615,783	-	1,615,783
Other comprehensive income	-	(341,892)	-	(341,892)
Total comprehensive income	-	1,273,891	-	1,273,891
Transferred to statutory reserve	-	(161,578)	161,578	-
Balance as at 31 December 2021	110,000,000	997,857	161,578	111,159,435
Net profit for the year	**-**	**2,686,311**	**-**	**2,864,587**
Other comprehensive income	**-**	**296,579**	**-**	**118,303**
Total comprehensive income	**-**	**2,982,890**	**-**	**2,982,890**
Transferred to statutory reserve	**-**	**(268,631)**	**268,631**	**-**
Dividend Paid	**-**	**(990,000)**	**-**	**(990,000)**
Balance as at 31 December 2022	**110,000,000**	**2,722,116**	**430,209**	**113,152,325**

STATEMENT OF CASH FLOWS
As at 31 December 2022

	Notes	**2022** SR	2021 SR
OPERATING ACTIVITIES			
Profit before tax		**3,688,054**	2,056,509
Adjustments for:			
Depreciation of right-of-use assets	9	**1,019,277**	1,053,838
Provision for employees' end-of-service benefits	12	**313,044**	409,755
Financial charges on lease liabilities	9	**55,599**	104,859
Depreciation of property and equipment	8	**24,176**	153,023
Operating cash flows before working capital changes		**5,100,150**	3,777,984
Working capital changes:			
Prepayments and other assets		**459,521**	(614,239)
Amounts due from related parties		**266,317**	(767,986)
Accrued expenses and other liabilities		**(30,990)**	79,993
Amounts due to related parties		**(15,882)**	(261,930)
Net cash from operating activities		**5,779,116**	2,213,822
Income tax paid	11	**(313,686)**	(299,299)
Employees' end-of-service benefits paid		**(364,219)**	(700,935)
Net cash flows from operating activities		**5,101,211**	1,213,588
INVESTING ACTIVITY			
Purchase of property and equipment	8	**-**	(147,637)
Cash flows used in investing activity		**-**	(147,637)
FINANCING ACTIVITIES			
Repayment of lease liabilities	9	**(1,153,000)**	(1,153,000)
Dividend Paid		**(990,000)**	-
Cash flows used in financing activity		**(2,143,000)**	(1,153,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,958,211**	(87,049)
Cash and cash equivalents at the beginning of the year		**110,634,234**	110,721,283
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**113,592,445**	110,634,234
Significant non-cash transactions:			
Actuarial loss (gains) on re-measurement of employees' end-of-service benefits	12	**(147,878)**	341,892

1- COMPANY INFORMATION AND ACTIVITIES

UBS Saudi Arabia (the "Company") is a closed joint stock company registered with the Capital Market Authority ("CMA") under license number 08113-37 dated 4 Rajab 1429H (corresponding to 7 July 2008). It operates in the Kingdom of Saudi Arabia under commercial registration number 1010257812 dated 6 Dhul Qadah 1429H (corresponding to 4 November 2008). The Company offers wealth management, investment banking and asset management services. The registered address of the Company is Tatweer Towers, Tower 4, King Fahad road, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia.

2- BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA") and in compliance with the provisions of Companies' Law and the Company's By-laws.

The financial statements have been prepared on a historical cost basis. These financial statements are presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Company.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements unless otherwise stated.

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 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.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of term deposits with original maturities of three months or less from the purchase date, bank balances and cash on hand, which are available to the Company without any restriction.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission method, less provision for impairment. Such provisions are charged to profit or loss in the statement of comprehensive income and reported under "General and administrative expenses". When receivables are uncollectible, they are written-off against the provision for expected credit losses. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the statement of comprehensive income.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of comprehensive income when incurred as repairs and maintenance.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the individual item of property and equipment. Depreciation is charged to the statement of comprehensive income. The estimated useful lives of the assets are as follows:

Leasehold improvements	10 years or lease term whichever is lower
Furniture and fixtures	10 years
Office equipment	1 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation on addition and disposal of items of property and equipment is computed on a pro-rata basis.

Any additions below the threshold set by the Company and expenditure for repairs and maintenance are charged to profit or loss in the statement of comprehensive income.

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. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and carrying amount of the asset and are included in profit or loss in the the statement of comprehensive income. 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.

Provisions and accruals

Accounts payable and accruals are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at the reporting date and adjusted to reflect current best estimates. When the company expects some or all a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end-of-service benefits

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees. Employees' benefits includes short-term employee benefits, post-employment benefits and other long-term employee benefits.

Short term employee benefits

When an employee has rendered service to the Company during an accounting period, the Company recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid as an expense. Accumulated leave, which is expected to be utilized within the next twelve months, is treated as a short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment obligation

The Company operates a post-employment benefit scheme driven by the labour laws of the Kingdom of Saudi Arabia. The post-employment benefits scheme is not funded. Valuation of the obligation under such a scheme is carried out by an independent actuary based on the projected unit credit method. The costs relating to such a scheme primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of comprehensive income as "employee costs" while unwinding of the liability at discount rates used are recorded as a finance cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as a re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from scheme amendments or curtailments are recognised immediately in other comprehensive income as past service costs.

Income tax

Income tax is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") and on an accrual basis. Income tax related to the Company is charged to the statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

Current tax

Current tax assets and liabilities 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 KSA.

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 recognized 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 utilized.

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 utilized. Unrecognized 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.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Deferred tax (continued)

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 recognized outside profit or loss is recognised outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in shareholders' equity.

Value-added tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

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

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

Revenue recognition

The Company accounts for services separately on the basis of agreements entered into with clients i.e. if these services and their performance obligations are separately identifiable and a transaction price can be separately allocated and distinct from each other.

The following is a description of principal activities from which the Company generates its revenue.

Arrangement fees

Arrangement fees are recognized when the performance obligations agreed in the contract or service level agreement are satisfied i.e. services are provided.

Commission income

Commission income is recognized on an effective yield basis on the principal amount of term deposits over their maturity period on an accrual basis.

Brokerage income

Income from transaction-type services such as brokerage services for which customers are billed on completion of the deal are recognized when the deal has been executed.

Asset management fees

Fees charged for managing assets are recognized as revenue on the services provided. Subscription fees are recognized upon subscription of the investor to the Fund. Fund performance income is recognized at the year-end, if the fund results meet the annual pre-set target.

Advisory and other income

Advisory service fees are accrued on a time proportionate basis, as the services are rendered.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

i) Financial assets

Classification

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Financial assets held by the Company, classified under amortised cost are receivables, cash equivalents and amounts due from a related party.

Financial assets held at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI"), on the principal amount outstanding.

Financial assets held at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVPL:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Special commission and foreign exchange gains or losses are recognised in the statement of comprehensive income.

Equity instruments

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

Financial assets held at FVPL

All other financial assets are classified as measured at FVPL. This may include equity held for trading and debt securities not classified either as amortised cost or FVOCI.

In addition, on initial recognition, the Company may also irrevocably designate a financial asset at FVPL that otherwise meets the requirements to be measured at amortized cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. As part of the convergence, the Company has classified all its investments in funds under FVPL category.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortized cost at each reporting date, at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if it is determined to have low credit risk at the reporting date.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12- month expected credit losses. For receivables, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (“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 in finance costs in the statement of comprehensive income.

Offsetting of financial instruments

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

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 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 the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments (continued)
Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

For assets and liabilities that are 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets. The involvement of external valuers is decided by the Company after discussion and approval by the Company's management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Foreign currency translations
Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 gain or loss on change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

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

Statutory reserve
As required by the Saudi Arabian Companies' Law and Company's By-Laws, 10% of the net income for the year (after deducting losses brought forward) is required to be transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. Statutory reserves are not available for distribution till 2020. Until 2020, since the Company has accumulated brought forward losses, no transfers were made in the prior year.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary assets

Assets under management:

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

Clients' cash accounts:

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

4- SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Company's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods. The areas involving critical accounting judgements, estimates and significant assumptions concerning the future are discussed below:

Estimation of income taxes

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes as explained in note 11 to these financial statements. 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 utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation of useful lives and residual value of property and equipment

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment loss. Management reviews the useful lives annually, and the depreciation method to make sure that the depreciation method and period are consistent with the expected pattern of the assets' economic benefits. Residual value is determined based on experience and observable data where available.

Provision for expected credit losses on receivables

Management 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 (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, 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.

4- SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Measurement of present value of employees' end-of-service benefits
The cost of employees' end-of-service benefits and the present value of such 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.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and salary growth rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Salary growth rate is based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end-of-service benefits are provided in note 12.

5- NEW standards, AMENDMENTS AND INTERPRETATIONS

New and amended standards and interpretations

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
• 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.

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

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

The amendments are not expected to have a material impact on the Company's financial statements.

5- NEW standard, AMENDMENTS AND INTERPRETATIONS (continued)

New and amended standards and interpretations (continued)

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 Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

6- CASH AND CASH EQUIVALENTS

	2022 SR	*2021 SR*
Cash in bank		
Time deposit – local currency	**80,879,112**	90,006,500
Current account - Foreign currency	**27,081,387**	16,189,497
Current account - Local currency	**5,616,752**	4,425,239
	113,577,251	110,621,236
Cash on hand	**15,194**	12,998
	113,592,445	110,634,234

7- PREPAYMENTS AND OTHER ASSETS

	2022 SR	*2021 SR*
Prepaid expenses	**522,214**	582,218
VAT receivables	**34,266**	433,783
	556,480	1,016,001

8- PROPERTY AND EQUIPMENT

	Leasehold improvements SR	*Furniture and fixtures SR*	*Office equipment SR*	*Total SR*
Cost:				
At 1 January 2022	12,539,733	1,902,201	1,466,296	15,908,230
At 31 December 2022	**12,539,733**	**1,902,201**	**1,466,296**	**15,908,230**
Depreciation:				
At 1 January 2022	12,539,733	1,902,201	1,373,011	15,814,945
Charge for the year	-	-	24,176	24,176
At 31 December 2022	**12,539,733**	**1,902,201**	**1,397,187**	**15,839,121**
Net book values:				
As at 31 December 2022	**-**	**-**	**69,109**	**69,109**

8- PROPERTY AND EQUIPMENT (Continued)

	Leasehold improvements SR	*Furniture and fixtures SR*	*Office equipment SR*	*Total SR*
Cost:				
At 1 January 2021	12,539,733	1,902,201	1,318,659	15,760,593
Additions	-	-	147,637	147,637
At 31 December 2021	12,539,733	1,902,201	1,466,296	15,908,230
Depreciation:				
At 1 January 2021	12,539,733	1,902,201	1,219,988	15,661,922
Charge for the year	-	-	153,023	153,023
At 31 December 2021	12,539,733	1,902,201	1,373,011	15,814,945
Net book value:				
As at 31 December 2021	-	-	93,285	93,285

As at 31 December 2022, the cost of items of property and equipment which are fully depreciated amounted to SR 15,785,210 (31 December 2021: SR 15,512,210).

9- RIGHT OF USE ASSETS AND LEASE LIABILITIES

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

	2022 SR	*2021 SR*
Cost:		
At the beginning and end of the year	**5,146,855**	5,263,351
Disposals	**-**	(116,496)
	5,146,855	5,146,855
Less: Accumulated amortization:		
At the beginning of the year	**3,196,072**	2,142,234
Charge for the year (note 15)	**1,019,277**	1,053,838
At the end of the year	**4,215,349**	3,196,072
Net book value:	**931,506**	1,950,783

Set out below are the carrying amounts of lease liabilities and the movement during the year:

	2022 SR	*2021 SR*
At the beginning of the year	**1,837,626**	3,002,263
Accretion of interest	**55,599**	104,859
Payments	**(1,153,000)**	(1,153,000)
Disposals	**-**	(116,496)
At the end of the year	**740,225**	1,837,626
Lease liabilities – current portion	**740,225**	1,097,401
Lease liability - non-current portion	**-**	740,225
	740,225	1,837,626

10- ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	*2021*
	SR	*SR*
Accrued expenses	**918,918**	949,908
	918,918	949,908

11- INCOME TAX

(a) Charge for the year

The income tax charged to the statement of comprehensive income is as follows:

		2022	*2021*
		SR	*SR*
Current income	(b)	**570,257**	313,912
Deferred income tax	(c)	**431,486**	126,814
		1,001,743	440,726
Deferred tax charged on Other comprehensive income re-measurement of Actuarial gain on employee's end-of-service benefits		**(148,701)**	-
		853,042	440,726

(b) Movements in provision

The liability for income tax recognized in the statement of financial position is as follows:

	2022	*2021*
	SR	*SR*
At the beginning of the year	**287,104**	272,491
Provision for the year	**570,257**	313,912
Payments made during the year	**(313,686)**	(299,299)
At the end of the year	**543,675**	287,104

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.

(c) Deferred income tax

The Company has recognized a deferred tax asset as of 31 December 2022 amounting to SR 905,612 (31 December 2021: SR 1,188,397) in respect of timing differences due to employees' end-of-service benefits, the difference in basis of depreciation, and the tax losses carried forward calculated at an effective income tax rate of 20%.

The deferred tax asset recognized in the statement of financial position and its movement for the year is as follows:

	2022 *SR*	*2021* *SR*
At the beginning of the year	**1,188,397**	1,315,211
Movement during the year	**(431,486)**	(126,814)
Deferred tax related to actuarial gains and losses	**148,701**	-
At the end of the year	**905,612**	1,188,397

11- INCOME TAX (continued)

The net balance of deferred taxation is in respect of the following temporary differences:

	2022 *SR*	*2021* *SR*
Accelerated tax depreciation allowance	**396,549**	439,107
Accelerated tax right of use assets	**20,789**	36,941
Provision of employees' end-of-service benefits	**428,885**	439,120
Tax losses carried forward	**198,193**	386,740
Provision for operational losses	**9,897**	5,615
Actuarial gain on employee's end-of-service benefits	**(148,701)**	(119,126)
	905,612	1,188,397

Status of assessment

The Company has filed its income tax returns with ZATCA for all the years ended up to 31 December 2021. Assessments have been agreed with the ZATCA for all years up to 31 December 2014. Corporate tax assessments have not been finalized by ZATCA for the years ended from 31 December 2015 to 31 December 2021. During 2021, the ZATCA issued withholding tax assessments for the years 2019 and 2020 amounting to SAR 17,976. The Company accepted the withholding tax assessments raised by ZATCA and settled the additional liabilities plus delay fines.

12- EMPLOYEES' END-OF-SERVICE BENEFITS

The following tables summarize the components of the employees' end-of-service benefits recognized in the statement of financial position and its components are as follows:

	2022 *SR*	*2021* *SR*
At the beginning of the year	**1,599,969**	1,549,257
Current service cost	**278,306**	355,811
Interest cost	**34,738**	53,944
Benefits paid	**(364,219)**	(700,935)
Actuarial loss (gain)	**(147,878)**	341,892
At the end of the year	**1,400,916**	1,599,969

12- EMPLOYEES' END-OF-SERVICE BENEFITS (continued)

The amounts recognized in the statement of comprehensive income are as follows:

	2022 SR	*2021 SR*
Profit or loss		
Current service cost	**278,306**	355,811
Interest cost	**34,738**	53,944
	313,044	409,755
Other comprehensive income		
Actuarial (gain) loss	**(147,878)**	341,892

The significant assumptions used in determining the employees' end-of-service benefit obligations for the Company's plans are shown below:

	2022	*2021*
Discount rate	**4.20%**	4.45%
Salary growth rate	**2.00%**	2.00%

13- SHARE CAPITAL

As at 31 December 2022, the authorized, issued and fully paid-up share capital of the Company is SR 110 million divided into 11 million shares (31 December 2021: 11 million shares) with a nominal value of SR 10 each.

The shareholding of the Company's issued and fully paid-up share capital is as follows:

2022	*Ownership percentage*	*Number of shares*	*Share capital SR*
UBS AG	**100.00%**	**11,000,000**	**110,000,000**
	100.00%	**11,000,000**	**110,000,000**
2021			
UBS AG	100.00%	11,000,000	110,000,000
	100.00%	11,000,000	110,000,000

14- REVENUE

	2022	*2021*
	SR	*SR*
Service fee income (note 16)	**15,608,151**	17,010,294
Special commission income	**2,269,086**	498,356
	17,877,237	17,508,650

Special commission income is earned on term deposits placed in banks as disclosed in note 6 of these financial statements.

15- GENERAL AND ADMINISTRATION EXPENSES

	2022	*2021*
	SR	*SR*
Employee related cost	**7,991,801**	9,103,375
Maintenance expenses	**3,092,286**	2,943,040
Depreciation on right-of-use assets (note 9)	**1,019,277**	1,053,838
Professional and consulting fees	**558,965**	554,274
Withholding taxes	**420,851**	463,486
Contract staff cost	**369,797**	348,935
License fees	**234,500**	221,281
Phone and carrier	**132,967**	142,405
Accretion of interest (note 9)	**55,599**	104,859
Depreciation on property and equipment (note 8)	**24,176**	153,023
Travelling and conveyance	**26,117**	93,283
Others	**262,847**	270,342
	14,189,183	15,452,141

16- RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company transacts business with its related parties which include its shareholders and their affiliated companies, the Board of Directors, and key management personnel. Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

The significant transactions with related parties during the year and the related amounts are as follows:

		Amount of transactions	
Relationship and name of related party	*Nature of transactions*	***2022*** ***SR***	*2021* *SR*
Shareholder			
UBS Switzerland AG	Service fee income (a) (b)	**15,365,550**	16,843,380
	Reimbursement of expenses	**(225,298)**	-

16- RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Affiliates			
UBS AG London	Service fee income (a)	**242,601**	166,914
	Reimbursement of expenses	**(132)**	-
UBS AG Stamford	Maintenance expenses (IT)	**2,605,684**	2,682,251
Others			
Board of directors	Board fees to independent board member	**42,000**	66,000
Key management personnel	Salaries and other benefits	**1,569,375**	1,561,875

(a) The Company has signed service agreements to reflect any support services provided to the booking centers UBS Switzerland AG and UBS AG London. The service fee is charged on the basis of a mark-up on expenses (excluding income tax) incurred by the Company.

Service and arranging fee income are recognized when the related services are performed and are accounted for on an accrual basis.

(b) UBS Switzerland AG is the custodian of the Company's client assets and money amounting to SR 306.1 million (31 December 2021: SR 399.3 million) as at the reporting date. Control functions including reconciliation controls are performed by the custodian (see note 20).

In addition to related party balances disclosed elsewhere in the financial statements, the following are the balances with related parties at the reporting date:

	2022 ***SR***	*2021* *SR*
Amounts due from related parties		
UBS Switzerland AG	**756,771**	1,032,627
UBS AG London	**27,618**	23,056
UBS Poland	**4,797**	-
Others	**180**	-
	789,366	1,055,683
Amounts due to related parties		
UBS AG Stamford	**86,964**	101,017
Others	**1,495**	3,324
	88,459	104,341

Terms and conditions of transactions with related parties

The transactions with related parties are made at terms mutually agreed. Outstanding balances at the reporting date are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

As at 31 December 2022 and 31 December 2021, amounts due from related parties were neither past due nor impaired and have no default history.

17- FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks namely credit risk, liquidity risk and market risk (including commission rate risk, currency risk and price risk). The Company's overall risk management policies focuses on the unpredictability of financial markets and seeks to minimize their potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous periods in the manner describe in the notes below.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, accrued commission receivable and receivables due from related parties. It is management's assessment that the Company is not subject to significant credit risk since balances with banks are kept with reputable banks with high credit ratings and receivables are solely from related parties.

The balances with banks and commission income receivable are with a reputable bank with high credit ratings while amounts due from related parties have no history of default. Consequently, the Company is not exposed to significant credit risk.

The carrying amounts of financial assets exposed to credit risk at the reporting date are as follows:

	2022	*2021*
	SR	*SR*
Cash and cash equivalents	**113,592,445**	110,634,234
Amounts due from related parties	**789,366**	1,055,683
	114,381,811	111,689,917

Concentration of credit risk
Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company`s total credit exposure. The Company`s total credit risk with respect of financial assets is mostly concentrated in balance with reputable banks and receivables from its related parties.

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. The Company manages its liquidity risk by ensuring that sufficient cash and cash equivalents are available to meet liabilities as they arise. As at the reporting date there is no maturity mismatch between financial assets and liabilities that exposes the Company to liquidity risk.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations on its receivables and bank balances denominated in Swiss Francs which is not considered to be significant. Apart from that, the Company did not undertake significant transactions in currencies other than Saudi Riyals or US Dollars during the year and is therefore not exposed to significant currency risk.

Commission rate risk
Commission rate risk is the risk that the value of financial instruments or its future cash flows will fluctuate due to changes in the market commission rates. The time deposit placed by the Company is a short term fixed interest rate deposit. Apart from that the Company is not subject to any commission rate risk as all other financial assets and liabilities are non-commission bearing.

17- FINANCIAL RISK MANAGEMENT (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of the changes in market prices, whether those changes are caused by the factor specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As at the reporting date, the Company has no investments traded in the market which expose them to price risk.

Financial instruments by category

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	2022	*2021*
	SR	*SR*
Financial assets		
At amortized cost:		
Cash and cash equivalent	**113,592,445**	110,634,234
Amounts due from related parties	**789,366**	1,055,683
	114,381,811	111,689,917
Financial liabilities		
At amortized cost:		
Accrued expenses and other liabilities	**918,918**	949,908
Amounts due to related parties	**88,459**	104,341
	1,007,377	1,054,249

18- FAIR VALUES OF FINANCIAL INSTRUMENTS

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

Currently, there are no financial assets at fair value. The Company's financial assets consist of bank balances, accrued commission and receivables from related parties. Its financial liabilities consist of accrued expenses and payable to related parties. There are no other material Level 1, 2 or 3 assets or liabilities during the current or prior years reported in these financial statements.

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values and classified as level 2.

19- CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA Prudential Rules are as follows:

	2022	*2021*
	SR	*SR*
Capital Base:		
Tier 1 Capital	**112,246,713**	109,971,038
Total Capital Base	**112,246,713**	109,971,038

19- CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO (continued)

	2022 SR	*2021 SR*
Minimum Capital Requirement:		
Market Risk	**703,138**	502,268
Credit Risk	**3,876,106**	4,663,599
Operational Risk	**3,547,296**	3,973,217
Total Minimum Capital Required (d)	**8,126,540**	9,139,084
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**13.81**	12.03
Tier 1 Capital Ratio (times)	**13.81**	12.03
Surplus in the capital (d)	**104,120,173**	100,831,954

(a) The capital base consists of Tier 1 Capital (which includes share capital and audited retained earnings). The Company does not have Tier 2 capital as defined in article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

(b) The Company manages its capital base in light of Pillar I and Pillar Il of the Prudential Rules - the capital base should not be less than the minimum capital requirement.

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

(d) The minimum capital required for dealing and custody as per Article 6(g) of the Capital Market Institutions Regulations issued by the CMA in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million

(e) The Company discloses on an annual basis certain information as per Pillar II of the Prudential Rules for public on the Company's website (http://www.ubssaudiarabia.com). However, these are not subject to review or audit by the external auditors of the Company.

(f) Interest rate risk is not calculated on time deposits, as it is not considered part of the trading book.

20- FIDUCIARY ACCOUNT

As at 31 December 2022, the Company has assets under management amounting to SR 306,162,833 (31 December 2021: SR 309,322,500) in a fiduciary capacity. These are not treated as assets of the Company and accordingly are not included in these financial statements. UBS Switzerland AG is the custodian of the Company's client assets.

21- APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved the financial statements on 5 Ramadhan 1444H (corresponding to 27 March 2023).