

**FAB CAPITAL FINANCIAL  
COMPANY  
(A Saudi Closed Joint Stock Company)  
FINANCIAL STATEMENTS  
31 December 2021  
together with the  
INDEPENDENT AUDITOR'S REPORT**

**FAB CAPITAL FINANCIAL COMPANY**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2021**  
(Amounts in Saudi Arabian Riyals)

<b>Index</b>	<b>Page</b>
Independent auditor's report	1-2
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 23



## KPMG Professional Services

Riyadh Front, Airport Road  
P.O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report

## To the shareholder of FAB Capital Financial Company

### Opinion

We have audited the financial statements of FAB Capital Financial Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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 the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### Basis for opinion

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

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

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

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

Those charged with governance, i.e. the Board of Directors, are 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 ISAs 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia, with paid-up capital of SAR 25,000,000. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل. المسماة سابقاً "شركة كي بي إم جي للفرزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

## Independent auditor's report

To the shareholder of FAB Capital Financial Company (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, amongst 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 of the Company.

### KPMG Professional Services



**Fahad Mubarak Al Dossari**  
License no: 469

Riyadh: 24 Sha'ban 1443H  
Corresponding to: 27 March 2022



**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2021**  
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
Cash and cash equivalents	4	118,193,627	99,338,216
Accounts receivable	5	100,166	--
Prepayments, deposits and other receivables	6	435,293	530,153
Right-of-use asset	7	1,458,027	1,838,156
Deferred tax assets	14	12,764	12,769
Property and equipment, net	8	264,411	51,515
<b>Total assets</b>		<u>120,464,288</u>	<u>101,770,809</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to related parties	9	22,576,153	14,462,233
Accrued expenses and other liabilities	10	2,117,358	2,247,515
Lease liability	11	1,172,564	1,543,787
Provision for zakat and income tax	14	2,500,259	2,185,145
Provision for employees' end of service benefits	15	246,004	304,428
<b>Total liabilities</b>		<u>28,612,338</u>	<u>20,743,108</u>
<b>Shareholder's equity</b>			
Share capital	12	52,500,000	52,500,000
Share premium		15,000,000	15,000,000
Statutory reserve		2,156,810	1,078,695
Other reserves		(56,600)	(99,700)
Retained earnings		22,251,740	12,548,706
<b>Total equity</b>		<u>91,851,950</u>	<u>81,027,701</u>
<b>Total liabilities and equity</b>		<u>120,464,288</u>	<u>101,770,809</u>

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



**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 December 2021**  
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2020</b>
<b>Revenue</b>			
Income from arranging services		<b>21,750,000</b>	19,706,624
Income from underwriting services		<b>818,489</b>	--
Income from security services		<b>100,166</b>	--
Special commission income		<b>334,587</b>	201,600
<b>Total operating income</b>		<b><u>23,003,242</u></b>	<u>19,908,224</u>
<b>Expenses</b>			
Salaries and employee-related expenses		<b>(6,525,750)</b>	(5,521,743)
Depreciation		<b>(463,233)</b>	(401,471)
Finance cost on lease liability		<b>(38,378)</b>	(47,920)
Other general and administrative expenses	13	<b>(2,699,639)</b>	(2,002,771)
Allowance for expected credit losses on financial assets		<b>5,670</b>	(58,417)
<b>Total operating expenses</b>		<b><u>(9,721,330)</u></b>	<u>(8,032,322)</u>
<b>Net income before zakat and income tax</b>		<b><u>13,281,912</u></b>	<u>11,875,902</u>
Zakat and income tax	14	<b><u>(2,500,763)</u></b>	<u>(2,152,269)</u>
<b>Net income for the year</b>		<b><u>10,781,149</u></b>	<u>9,723,633</u>
Remeasurement gain/ (loss) for provision for end of service benefits	15	<b><u>43,100</u></b>	<u>(99,700)</u>
<b>Total comprehensive income for the year</b>		<b><u><u>10,824,249</u></u></b>	<u><u>9,623,933</u></u>

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

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2021**  
(Amounts in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance at 1 January 2021</b>	<b>52,500,000</b>	<b>15,000,000</b>	<b>1,078,695</b>	<b>(99,700)</b>	<b>12,548,706</b>	<b>81,027,701</b>
Net income for the year	--	--	--	--	10,781,149	10,781,149
Re-measurement gain on employees' end of service benefits	--	--	--	43,100	--	43,100
Total comprehensive income for the year	--	--	--	43,100	10,781,149	10,824,249
Transfer to statutory reserve	--	--	1,078,115	--	(1,078,115)	--
<b>Balance at 31 December 2021</b>	<b>52,500,000</b>	<b>15,000,000</b>	<b>2,156,810</b>	<b>(56,600)</b>	<b>22,251,740</b>	<b>91,851,950</b>

  

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2020	2,500,000	--	106,332	--	3,797,436	6,403,768
Capital injection during the year	50,000,000	15,000,000	--	--	--	65,000,000
Net income for the year	--	--	--	--	9,723,633	9,723,633
Re-measurement loss on employees' end of service benefits	--	--	--	(99,700)	--	(99,700)
Total comprehensive income for the year	--	--	--	(99,700)	9,723,633	9,623,933
Transfer to statutory reserve	--	--	972,363	--	(972,363)	--
Balance at 31 December 2020	52,500,000	15,000,000	1,078,695	(99,700)	12,548,706	81,027,701

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

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2021  
*(Amounts in Saudi Arabian Riyals)*

	<i>Note</i>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2020</b>
<b>Cash flows from operating activities</b>			
Net income for the year before zakat and income tax		<b>13,281,912</b>	11,875,902
<b>Adjustments for non-cash items</b>			
Charge for employees' end of service benefits	15	<b>186,380</b>	88,292
Depreciation charge for the year	7, 8	<b>463,233</b>	401,471
Interest expense on lease liability		<b>38,378</b>	47,920
Allowance for expected credit losses on financial assets		<b>(5,670)</b>	58,417
<b>Changes in operating assets and liabilities:</b>			
(Decrease)/ Increase in accounts receivable		<b>(100,166)</b>	4,230,119
Decrease/ (Increase) in prepayment, deposits and other receivables		<b>94,860</b>	(481,848)
Increase in due to related parties		<b>8,113,920</b>	7,078,912
(Decrease)/ Increase in accrued expenses and other liabilities		<b>(130,146)</b>	30,202
		<b>21,942,701</b>	23,329,387
Zakat and income tax paid	14	<b>(2,185,654)</b>	(116,746)
End of service benefits paid	15	<b>(201,704)</b>	(24,192)
<b>Cash generated from operating activities</b>		<b>19,555,343</b>	23,236,833
<b>Cash flow from financing activity</b>			
Payment of lease liability		<b>(409,602)</b>	(438,308)
<b>Net cash used in financing activity</b>		<b>(409,602)</b>	(438,308)
<b>Cash flow from Investing activity</b>			
Additions to property and equipment	8	<b>(296,000)</b>	--
<b>Net cash used in Investing activity</b>		<b>(296,000)</b>	--
<b>Net change in cash and cash equivalents during the year</b>		<b>18,849,741</b>	22,798,525
Cash and cash equivalents at the beginning of the year		<b>99,396,633</b>	76,598,108
<b>Cash and cash equivalents at the end of the year</b>	4	<b>118,246,374</b>	99,396,633

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



**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

*(Amounts in Saudi Arabian Riyals)*

**1. GENERAL INFORMATION**

FAB Capital Financial Company (the “Company”) is a Closed Joint Stock Company incorporated in Saudi Arabia under commercial registration No. 1010448608 dated 20 Shaban 1439 (corresponding to 6 May 2018). The Company operates under Saudi Arabia General Investment Authority License No. 10211390781969 dated 5 Rajab 1439 (corresponding to 22 March 2018) and Capital Market Authority (“CMA”) License No. 18188-30 dated 19 Jumada al-Ula 1439 (corresponding to 5 February 2018).

The registered address of the Company, which is also its principal place of business, is at 3rd Floor, Cayan Tower, AlMalqa – King Fahad Road, P.O. Box 272, Riyadh 11411, Kingdom of Saudi Arabia.

The principal activities of the Company are dealing as underwriter, advisory & arranging securities and Custody Services. The company has amended its business activity by adding new licenses to practice the dealing activities as underwriter and custody in securities business in reference to the CMA’s approval no. S/1/6/5411/20 dated 21 Safar 1442 (corresponding to 08 Oct 2020).

The company name was changed to FAB Capital Financial Company from the previous name FAB Investment Company Saudi Arabia. The approval was granted by CMA on 08 Jumada al-Ula 1440 (corresponding to 14 Jan 2020) upon which the Company completed legal formalities pertaining to company registration and amending of by-laws under the new name in 2020. The Company is a subsidiary of First Abu Dhabi Bank PJSC (the “Parent Company”).

**2. BASIS OF PREPARATION**

**a) *Statement of compliance***

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and in compliance with the applicable requirements of the Regulation for Companies in the Kingdom of Saudi Arabia and the Company’s By-laws.

**b) *Basis of measurement***

The financial statements have been prepared under the historical cost convention. Furthermore, the employee benefit obligation is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method and actuarial assumptions. The financial statements are prepared on a going concern basis, as the management is satisfied that the Company has the resources to continue business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

**c) *Functional and presentation currency***

These financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

*(Amounts in Saudi Arabian Riyals)*

**2. BASIS OF PREPARATION (CONTINUED)**

**d) *Critical accounting judgments and estimates***

The preparation of the financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

*Useful lives of property and equipment*

The management reviews the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use, and are revised if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation expense and decrease non-current assets.

**e) *Standards issued but not yet effective***

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2022 are listed below. The Company has opted not to early adopt these pronouncements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements, on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1, Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure initiative: accounting policies;
- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10, Consolidated financial statements and IAS 28 investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

The management of the Company anticipates that the application of the above new standards and amendments in the future will not have a significant impact on the amounts reported.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have consistently applied to all periods presented unless otherwise stated.

**3.1 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

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

**3.2 Financial Instruments**

***Classification and measurement of financial assets***

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through statement of profit or loss (FVTPL)

**Financial Asset at amortized cost**

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

- 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 commission on the principal amount outstanding.

**Financial Asset at fair value through other comprehensive income ("FVOCI")**

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

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

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

**Financial Asset at fair value through profit or loss ("FVTPL")**

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Arabian Riyals)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Classification and measurement of financial assets (continued)***

**Business model assessment**

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly purchased financial assets going forward.

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

**Assessment whether contractual cash flows are solely payments of principal and commission**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

**Reclassifications**

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.

***Impairment of financial assets***

The financial assets of the Company that are subjected to expected credit losses ("ECL") review include cash at bank and accounts receivable.

A significant exposure of the Company is held as deposits with First Abu Dhabi Bank – Saudi Arabia Branch, which is a Branch of Parent (First Abu Dhabi Bank PJSC). The Bank has a sound credit rating as at the reporting date and therefore the Company considers that it has low credit risk. No decline is seen in the credit rating until the reporting date. The loss given default "LGD" is low and impact on expected loss is not considered significant to the financial statements.

The Company considers that the remaining financial assets are immaterial and therefore have mostly low credit risk and the impact of expected credit loss is not considered significant.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

*(Amounts in Saudi Arabian Riyals)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Financial liabilities***

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVTPL where transaction costs, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statement of income.

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

***De-recognition of financial instruments***

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

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

***Offsetting of financial instruments***

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

**3.3 *Revenue from contracts with customers***

The Company recognises revenue as and when the performance obligations are met. The Company has the following streams of revenue:

***Revenue from arranging services***

Revenue from arranging activities is recognised based on services rendered under the applicable service contracts using the five-step approach to revenue recognition.

***Revenue from underwriting services***

Underwriting service fees are recognized based on the applicable service contract, usually on a time proportionate basis as the services are performed.

***Income from securities services***

Fees charged for providing securities services, which include custodial services, are recognised as revenue over the period when the service is being provided. Unearned revenue is deferred and recognised when earned.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Arabian Riyals)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Property and equipment and leases**

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>No of years</u>
Computer equipment	3-5

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

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

Normal repair and maintenance are charged to the statement of profit or loss as and when incurred.

**Right-of-use assets / lease liability**

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

**Right of use assets**

The Company applies cost model, and measures right of use asset at cost:

- a. less any accumulated depreciation and any accumulated impairment losses; and
- b. adjusted for any re-measurement of the lease liability for lease modifications.

**Lease liability**

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. Subsequent to the commencement date, the Company measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Arabian Riyals)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 *Impairment of non-financial assets***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGUs) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

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

**3.6 *Accrued expenses and other liabilities***

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**3.7 *Taxation***

*Current Tax*

Zakat and income tax is provided in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and charged to the statement of profit and loss and other comprehensive income.

Adjustments arising from the final zakat and income tax assessments are recorded in the period in which such assessments are made.

*Deferred Tax*

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases. Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date.



**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Arabian Riyals)

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 *Employees' end of service benefits***

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans 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 recognized immediately in the statement of profit or loss, while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

**3.9 *Expenses***

All expenses are recognized in statement of profit or loss as the related services are received.

**3.10 *Foreign currencies***

Transactions in foreign currencies are translated into the functional currency of the Company at exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the statement of profit or loss.

**3.11 *Contingent assets and liabilities***

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

**3.12 *Statutory reserve***

In accordance with the Company's Bylaws and the Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. As at 31 December 2021, the Company has set aside SAR 2.16 million as statutory reserve (31 December 2020: SAR 1.08 million).

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**4. CASH AND CASH EQUIVALENTS**

	<i>Note</i>	<u>2021</u>	<u>2020</u>
Current accounts		58,246,374	39,396,633
Fixed deposit	4.1	60,000,000	60,000,000
Provision for expected credit losses		<u>(52,747)</u>	<u>(58,417)</u>
		<u><b>118,193,627</b></u>	<u><b>99,338,216</b></u>

- 4.1** Fixed deposits amounting to SAR 60 million with a maturity of three months is considered as cash and cash equivalents (31 December 2020: SAR 60 million).

**5. ACCOUNTS RECEIVABLE**

	<u>2021</u>	<u>2020</u>
Accounts receivable- Fees	100,166	--

This represented portion of the revenue from securities services not yet collected by the Company from First Abu Dhabi Bank PSJC (“the Parent”).

**6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	<u>2021</u>	<u>2020</u>
Prepaid recruitment allowance	116,250	156,250
Interest receivable	98,133	110,400
Prepaid advance against salary	96,667	200,000
Others	124,243	63,503
<b>Total</b>	<u><b>435,293</b></u>	<u><b>530,153</b></u>

**7. RIGHT OF USE ASSET**

	<u>2021</u>	<u>2020</u>
<b>Cost:</b>		
Balance at the beginning of the year	2,599,454	2,613,807
Other adjustments (7.1)	--	(14,353)
Balance at the end of the year	<u><b>2,599,454</b></u>	<u><b>2,599,454</b></u>
<b>Accumulated depreciation:</b>		
Balance at the beginning of the year	(761,298)	(382,228)
Charge for the year	(380,129)	(379,070)
Balance at the end of the year	<u><b>(1,141,427)</b></u>	<u><b>(761,298)</b></u>
<b>Net book value as at the end of the year</b>	<u><b>1,458,027</b></u>	<u><b>1,838,156</b></u>

- 7.1** Right of use assets represents the sub-leased portion of the main lease agreement as occupied by the Company. During 2020, management performed an exercise to measure the space use from the main lease and determined that a lesser space is used than what was determined at the inception of the lease, hence a reduction in right of use assets was recognised.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
*(Amounts in Saudi Arabian Riyals)*

**8. PROPERTY AND EQUIPMENT, NET**

	<u>Computer equipment</u>	<u>Total</u>
<b>Cost:</b>		
Balance at 1 January 2021	<b>107,544</b>	107,544
Additions during the year	<b>296,000</b>	296,000
Balance at 31 December 2021	<b>403,544</b>	403,544
<b>Accumulated depreciation:</b>		
Balance at 1 January 2021	<b>(56,029)</b>	(56,029)
Charge for the year	<b>(83,104)</b>	(83,104)
Balance at 31 December 2021	<b>(139,133)</b>	(139,133)
<b>Net book value as at 31 December 2021</b>	<b>264,411</b>	264,411
	<u>Computer equipment</u>	<u>Total</u>
<b>Cost:</b>		
Balance at 1 January 2020	<b>107,544</b>	107,544
Additions during the year	<b>--</b>	--
Balance at 31 December 2020	<b>107,544</b>	107,544
<b>Accumulated depreciation:</b>		
Balance at 1 January 2020	<b>(33,628)</b>	(33,628)
Charge for the year	<b>(22,401)</b>	(22,401)
Balance at 31 December 2020	<b>(56,029)</b>	(56,029)
<b>Net book value as at 31 December 2020</b>	<b>51,515</b>	51,515

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**9. TRANSACTIONS WITH RELATED PARTIES**

The related parties of the Company include the Parent Company and its affiliated entities and certain key management personnel. In the ordinary course of activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel include the Chief Executive Officer, Acting Chief Executive Officer, Head of Compliance, Head of Security Service and Head of Finance.

The significant related party transactions entered into by the Company during the year are as follows:

<b><u>Related party</u></b>	<b><u>Nature of transaction</u></b>	<b>2021</b>	<b>2020</b>
<b>First Abu Dhabi Bank P.J.S.C.</b>	Payments made on behalf of the entity for Company's expenditure	<b>844,597</b>	421,217
<b>First Abu Dhabi Branch KSA</b>	Payments made on behalf of the entity for Company's expenditure	<b>7,269,323</b>	6,657,695
	Commissions paid on financial guarantees	<b>128,125</b>	127,778
<b>Key management personnel</b>	Basic salary	<b>2,309,320</b>	2,491,320
	Allowances	<b>1,579,423</b>	1,916,296
	GOSI – Employer's contribution	<b>183,600</b>	180,792
	Bonus	<b>150,000</b>	516,350
	Directors' fees	<b>262,500</b>	400,000

The balances as of 31 December 2021 resulting from transactions with related parties are as follows:

<b><u>Related party</u></b>	<b><u>Note</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>First Abu Dhabi Bank P.J.S.C.</b>			
Accounts receivable	5	<b>100,166</b>	--
		<b>100,166</b>	--
Due to related parties		<b>7,472,470</b>	6,627,873
<b>First Abu Dhabi Branch KSA</b>			
Due to related parties		<b>15,103,683</b>	7,834,360
Financial guarantee issued to facilitate custody license		<b>50,000,000</b>	50,000,000

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>2021</u>	<u>2020</u>
Accrued professional fees	1,022,221	763,096
Accrued employee related benefits	800,000	981,386
Accrued directors' fees	162,500	400,000
Others	132,637	103,033
	<u><b>2,117,358</b></u>	<u><b>2,247,515</b></u>

**11. LEASE LIABILITY**

The Company's finance lease liability is payable as follows as of 31 December 2021:

	<u>Future minimum lease payment</u>	<u>Interest</u>	<u>Present value of minimum lease payment</u>
Less than one year	409,601	(28,726)	380,875
Between one and five years	819,203	(27,514)	791,689
<b>Total</b>	<u><b>1,228,804</b></u>	<u><b>(56,240)</b></u>	<u><b>1,172,564</b></u>

**12. SHARE CAPITAL**

As of 31 December 2021, the share capital of the Company is SAR 52,500,000 divided into 5,250,000 fully paid shares of SAR 10 each and are 100% owned by First Abu Dhabi Bank P.J.S.C.

During 2020, a capital increase of SAR 65,000,000 was made of which SAR 15,000,000 was attributed to share premium. The proceeds for the capital increase was received in 2019.

**13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

		<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
	<i>Note</i>		
Head office allocated costs including utilities		<b>1,031,793</b>	374,207
Professional fees		<b>859,134</b>	743,973
Directors' fees		<b>262,500</b>	400,000
License fees		<b>258,587</b>	256,590
Guarantee commission	9	<b>128,125</b>	127,778
Others		<b>159,490</b>	100,223
		<u><b>2,699,629</b></u>	<u><b>2,002,771</b></u>

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
*(Amounts in Saudi Arabian Riyals)*

**14. ZAKAT AND INCOME TAX**

The Company is subject to zakat and income tax in accordance with the Regulations of ZATCA.

The amounts of zakat and income tax charges are as follows:

	<b>For the year ended 31 December 2021</b>	For the year ended 31 December 2020
Zakat expense for the year	<b>2,078,473</b>	1,792,211
Income tax expense for the year	<b>421,787</b>	331,956
Under provision of tax and zakat expense in prior year	<b>508</b>	--
<b>Charge for the year</b>	<b>2,500,768</b>	2,124,167
Deferred tax expense for the year	<b>(5)</b>	28,102
	<b><u>2,500,763</u></b>	<b><u>2,152,269</u></b>

The below table represents the movement in provisions for Zakat and income tax:

	<b>2021</b>	2020
Opening Zakat and income tax liability	<b>2,185,145</b>	177,724
Charge for the year	<b>2,500,768</b>	2,124,167
Payments during the year	<b>(2,185,654)</b>	(116,746)
	<b><u>2,500,259</u></b>	<b><u>2,185,145</u></b>

The following table shows the movement in deferred tax:

	<b>2021</b>	2020
Opening deferred tax asset	<b>12,769</b>	40,871
Charge for the year	<b>(5)</b>	(28,102)
Ending deferred tax asset	<b><u>12,764</u></b>	<b><u>12,769</u></b>

The Company has filed its zakat and tax returns for the year ended 31 December 2020 which are yet to be assessed by the Zakat, Tax and Customs Authority ("ZATCA").

**15 EMPLOYEES' END OF SERVICE BENEFITS**

- 15.1** The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

**15.2 Movement in employees' end of service benefits**

	<b>2021</b>	2020
Balance at the beginning of the year	<b>304,428</b>	140,628
Current service cost and interest expense	<b>186,380</b>	88,292
Payments to employees	<b>(201,704)</b>	(24,192)
Remeasurement gain/ (loss)	<b>(43,100)</b>	99,700
Balance at the Ending of the year	<b><u>246,004</u></b>	<b><u>304,428</u></b>

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**15 EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)**

**15.3 Principal actuarial assumptions**

	<b>31 December 2021</b>	31 December <u>2020</u>
Discount rate (%)	<b>2.20</b>	1.70
Future salary increases (%)	<b>2.00</b>	2.00

**Discount rate**

This rate was used to calculate the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount employee benefits is determined by reference to the market yields on high quality corporate bonds at the end of the reporting period. In case of the Company, the discount rate was derived with reference to US dollar denominated Kingdom of Saudi Arabia government traded bonds with maturities consistent with the estimated term of the employee benefits.

**Salary increases**

The salary escalation of 2.00% (31 December 2020: 2.00%) has been assumed as the long-term salary escalation rate and is broadly consistent with the benchmark salary increment rate of the region.

**Turnover**

The turnover assumption has been based on the prior year assumptions for attrition rates, which was considered to be in-line with the actual attrition rates.

**15.4 Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefits as follows:**

	<b>31 December 2021 SAR</b>	31 December <u>2020</u> SAR
<b>Discount rate</b>		
0.5% increase	<b>(6,700)</b>	(9,700)
0.5% decrease	<b>7,600</b>	10,200
<b>Future salary increases</b>		
0.5% increase	<b>7,600</b>	9,800
0.5% decrease	<b>(6,800)</b>	(10,000)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method used for calculating the employees' end of service benefit (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied.



**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**16. FAIR VALUES 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. 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.

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

- Level 1 - Quoted (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.

As at 31 December 2021, the Company's financial instruments comprise of bank balances, interest receivable, due to related parties, finance lease liabilities, accrued and other liabilities, which are measured at amortised cost and their carrying amount is a reasonable approximation of their fair values because these financial instruments are of shorter duration.

**17. FINANCIAL RISK MANAGEMENT**

The Company maintains positions in financial instruments in accordance with its management strategy. The Company's financial position consists of current account balances, due to related parties, accrued and other liabilities.

The Company has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

**Credit risk**

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following:

	<u>2021</u>	<u>2020</u>
Cash at banks	118,193,627	99,396,633
Accounts receivable	100,166	--
Prepayments, deposits and other receivables	113,582	110,400
	<u>118,407,375</u>	<u>99,507,033</u>

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2021  
(Amounts in Saudi Arabian Riyals)

**17. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Cash at banks

The current accounts are held with Riyadh Bank amounting to SAR 52.81 million and SAR 65.44 million in First Abu Dhabi Bank – Saudi Arabia Branch. The current accounts are held with banks having reputable standing and investment grade credit ratings within the Kingdom of Saudi Arabia.

Accounts receivable

The Company's accounts receivable is due from the Parent Company. The receivable as at 31 December 2021 is 100,166 (31 December 2020: Nil).

Prepayments and deposits

The Company's interest receivable is due from the First Abu Dhabi KSA branch.

All the assets and liabilities are concentrated in the Kingdom of Saudi Arabia.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As of 31 December 2021, the financial assets of the Company comprised of cash at banks and interest receivable from Parent Company, while the financial liabilities of the Company comprised of due to related party, accrued expenses and other liabilities. All other financial liabilities on the Company's statement of financial position are contractually payable on a current basis. The Company manages its liquidity risk by maintaining adequate liquid assets.

**Market risk**

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

**a. Foreign exchange risk**

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and United Arab Emirates Dirhams. Management monitors the exposures and fluctuations in foreign exchange rates and believes that the foreign exchange risk is not significant.

**b. Commission rate risk**

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company on a regular basis monitors changes in the commission rates.

There are no exposures as at 31 December 2021 to variable rate instruments. Hence, no exposure to commission rate risk.

**c. Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as the Company does not hold any financial instruments that are traded in the market as at 31 December 2021 and 2020.

**d. Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Management maintains a strong governance and developed control framework to mitigate such risk.

**FAB CAPITAL FINANCIAL COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in Saudi Arabian Riyals)

**18. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY**

The Capital Market Authority (the “CMA”) has issued Prudential Rules (“the Rules”) dated 31 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<b>SAR ‘000 2021</b>	<b>SAR ‘000 2020</b>
<b>Capital Base</b>		
Tier 1 Capital	<b>91,839</b>	81,015
Tier 2 Capital	--	--
<b>Total Capital Base</b>	<b>91,839</b>	81,015
<b>Minimum Capital Requirement</b>		
Credit Risk	<b>6,376</b>	6,195
Market Risk	--	--
Operational Risk	<b>2,572</b>	2,133
<b>Total Minimum Capital Required</b>	<b>8,948</b>	6,328
<b>Capital Adequacy Ratio</b>		
Tier 1 Capital Ratio (times)	<b>10.26</b>	9.73
Surplus in Capital	<b>82,891</b>	72,687

- a) Tier 1 capital consists of paid-up share capital, accumulated profits, share premium, and reserves excluding revaluation reserves, with certain deductions as per the Rules.
- b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Prudential Rules issued by the CMA.

**19. COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform to the current period presentation.

**20. SUBSEQUENT EVENTS**

There are no material events subsequent to the reporting date that requires adjustment or disclosure in these financial statements.

**21. APPROVAL OF THE FINANCIAL STATEMENTS**

The Financial Statements were authorized by the Board of Directors on 24 Sha’ban 1443H (corresponding to 27 March 2022).