

**REKAZ NATIONAL CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)

**Financial Statements**  
**For the year ended 31 December 2022**  
together with the  
**Independent Auditor's Report**

# **REKAZ NATIONAL CAPITAL COMPANY**

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

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

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**As at 31 December 2022**

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**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY- CLOSED JOINT STOCK COMPANY**

(1 /3)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Rekaz National Capital Company- Closed Joint Stock Company (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 (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

**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 code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Article of Association/(Bylaws) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY- CLOSED JOINT STOCK COMPANY

(2 /3)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

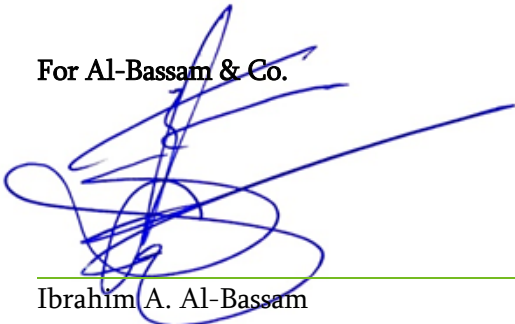
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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 risk 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 by the 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT****TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY- CLOSED JOINT STOCK COMPANY** (3 /3)**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****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 Al-Bassam & Co.**

Ibrahim A. Al-Bassam  
Certified Public Accountant  
License No. 337  
Riyadh: 05 Ramadan 1444H  
Corresponding to: 27 March 2023

**REKAZ NATIONAL CAPITAL COMPANY****(A Saudi Closed Joint Stock Company)****STATEMENT OF FINANCIAL POSITION****As at 31 December 2022****(Amounts in Saudi Riyals)**

	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>ASSETS</b>			
Cash and cash equivalents	3	724,742	3,168,248
Investment carried at FVOCI	5	3,363,866	2,812,500
Property and equipment	6	268,227	496,250
Intangible assets	7	39,944	375,259
Right-of-use assets	8	68,458	513,432
Due from related party	4	636,907	14,832
Prepayments and other receivables	9	175,368	160,354
<b>TOTAL ASSETS</b>		<b>5,277,512</b>	<b>7,540,875</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	10,000,000	10,000,000
Accumulated losses		(7,349,056)	(3,962,668)
Fair Value Reserve	5	551,365	-
Statutory reserve	11	51,407	51,407
<b>TOTAL EQUITY</b>		<b>3,253,716</b>	<b>6,088,739</b>
<b>LIABILITIES</b>			
Loan payable to a related party	4	950,000	-
Other payables and accruals	12	659,516	495,192
Leases	13	-	750,628
Provision for zakat	17	76,677	-
Employees' post-employment benefits	14	337,603	206,316
<b>TOTAL LIABILITIES</b>		<b>2,023,796</b>	<b>1,452,136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,277,512</b>	<b>7,540,875</b>
<b>Contingencies and Commitments</b>		-	-

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

**REKAZ NATIONAL CAPITAL COMPANY****(A Saudi Closed Joint Stock Company)****STATEMENT OF COMPREHENSIVE INCOME****For the year ended 31 December 2022****(Amounts in Saudi Riyals)**

	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Revenue	15	<b>3,189,390</b>	2,836,000
<b>OPERATING (EXPENSES) / INCOME</b>			
Finance cost on lease liabilities	13	<b>(12,872)</b>	(28,370)
Salaries and employee related expenses		<b>(3,759,912)</b>	(4,549,498)
General and administrative expenses	16	<b>(2,486,452)</b>	(2,767,597)
Selling and marketing expenses		<b>(180,711)</b>	(292,157)
Other income		<b>84,000</b>	376,290
<b>LOSS BEFORE ZAKAT</b>		<b>(3,166,557)</b>	(4,425,332)
Provision for zakat	17	<b>(219,831)</b>	-
<b>NET LOSS FOR THE YEAR</b>		<b>(3,386,388)</b>	(4,425,332)
<b>OTHER COMPREHENSIVE INCOME</b>			
Change in fair value of equity instruments carried at FVOCI		<b>551,365</b>	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>551,365</b>	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>(2,835,023)</b>	(4,425,332)

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

**REKAZ NATIONAL CAPITAL COMPANY****(A Saudi Closed Joint Stock Company)****STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2022****(Amounts in Saudi Riyals)**

<b>For the year ended 31 December 2022</b>	<b>Share Capital</b>	<b>Statutory Reserve</b>	<b>Fair Value Reserve</b>	<b>Accumulated losses</b>	<b>Total Equity</b>
Opening balance	<b>10,000,000</b>	<b>51,407</b>	-	<b>(3,962,668)</b>	<b>6,088,739</b>
Net loss for the year	-	-	-	<b>(3,386,388)</b>	<b>(3,386,388)</b>
Changes in Fair Value	-	-	<b>551,365</b>	-	<b>551,365</b>
Balance as at 31 December 2022	<b>10,000,000</b>	<b>51,407</b>	<b>551,365</b>	<b>(7,349,056)</b>	<b>3,253,716</b>

<b>For the year ended 31 December 2021</b>	<b>Share Capital</b>	<b>Statutory Reserve</b>	<b>Fair Value Reserve</b>	<b>Accumulated losses</b>	<b>Total Equity</b>
Opening balance	10,000,000	51,407	-	462,664	10,514,071
Net loss for the year	-	-	-	(4,425,332)	(4,425,332)
Balance as at 31 December 2021	10,000,000	51,407	-	(3,962,668)	6,088,739

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

**REKAZ NATIONAL CAPITAL COMPANY****(A Saudi Closed Joint Stock Company)****STATEMENT OF CASH FLOWS****For the year ended 31 December 2022****(Amounts in Saudi Riyals)**

		<b>For the year ended</b>	<b>For the year ended</b>
	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Cash flow from operating activities</b>			
Net (loss) for the year before zakat		<b>(3,166,557)</b>	<b>(4,425,332)</b>
Adjustments for:			
Depreciation of right of use assets	8	<b>444,974</b>	410,745
Depreciation of property and equipment	6	<b>229,733</b>	226,285
Amortization of intangibles	7	<b>335,315</b>	311,537
Finance cost on lease liabilities	13	<b>12,872</b>	28,370
Provision for employees' post-employment benefits	14	<b>131,287</b>	109,616
		<b>(2,012,376)</b>	<b>(3,338,779)</b>
<b>Changes in Working Capital</b>			
Prepayments and other receivables	9	<b>(15,014)</b>	31,544
Due from a related party	4	<b>(622,075)</b>	210,168
Other payables and accruals		<b>164,323</b>	444,551
<b>Cash used in operating activities</b>		<b>(2,485,142)</b>	<b>(2,652,516)</b>
Payment of Zakat		<b>(143,154)</b>	<b>(285,505)</b>
<b>Net Cash used in from operating activities</b>		<b>(2,628,296)</b>	<b>(2,938,021)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	6	<b>(1,710)</b>	<b>(20,540)</b>
<b>Net cash used in investing activities</b>		<b>(1,710)</b>	<b>(20,540)</b>
<b>Cash Flows from Financing Activities</b>			
Lease liabilities paid	13	<b>(763,500)</b>	<b>(744,187)</b>
Loan from a related party	4	<b>950,000</b>	-
<b>Net cash generated from / (used in) financing activities</b>		<b>186,500</b>	<b>(744,187)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(2,443,506)</b>	<b>(3,702,748)</b>
Cash and cash equivalents at beginning of the year		<b>3,168,248</b>	6,870,996
<b>Cash and cash equivalents at the end of the year</b>		<b>724,742</b>	<b>3,168,248</b>
<b>Supplementary non-cash information:</b>			
*Reclassification of lease liabilities to other payables and accruals		-	300,000

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

# **REKAZ NATIONAL CAPITAL COMPANY**

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

## **NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 December 2022**

**(Amounts in Saudi Riyals)**

### **1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

Rekaz National Capital Company (the “Company”) is a Saudi Closed Joint Stock Company established and registered in the Kingdom of Saudi Arabia under commercial registration number 7016303815, dated 23 Rabi ul Awwal 1441H (corresponding to 20 November 2019).

The principal activities of the Company are providing advisory services, arranging services and asset management and investment license services as per license of the Capital Market Authority ("CMA") number 19204-32, dated 3 Rajab 1441H (corresponding to 27 February 2020).

The company's registered office is located at the following address:

Rekaz National Capital Company  
9th Floor, Tulip Tower, King Fahad Road,  
Riyadh, Kingdom of Saudi Arabia.  
PO Box 3774, Riyadh 12333,  
Kingdom of Saudi Arabia

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation and statement of compliance**

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

The financial statements have been prepared on a going concern basis under historical cost convention, except for Investments carried at fair value through other comprehensive income (“FVOCI”) and Employees’ post-employment benefits that is recognized at the present value of future obligations using the Projected Unit Credit Method.

The assets and liabilities of the Company are presented in the order of liquidity in the statements of financial position.

#### **2.2 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). These financial statements are presented in Saudi Arabian Riyal (“SAR”) which is both the Company’s functional and presentation currency. All financial information has been rounded to nearest Riyal, unless otherwise mentioned.

#### **2.2 Functional and presentation currency (continued)**

##### **Transactions and balances**

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Critical accounting judgments, estimates and assumption

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

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

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these financial statements:

##### *a) Use of judgements*

###### **Going concern**

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

###### **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

###### **Business model assessment**

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Critical accounting judgments, estimates and assumption (Continued)

##### a) Use of judgements (Continued)

###### Measurement of fair values

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values is included in Note 18 of these financial statements.

##### b) Use of estimates

###### Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

###### Actuarial valuation of employee benefits liabilities

The cost of the post-employment benefits ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis.

In order to determine the liability, the Company performed detailed actuarial valuation of its Employee Benefits.

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.3 Critical accounting judgments, estimates and assumption (Continued)

##### *b) Use of estimates (Continued)*

##### **Useful lives of Property and equipment and Intangibles**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Intangible assets that have a finite useful life are amortized over their estimated useful life. Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgment by the company's management. Intangible assets are assessed for indications of impairment at the period end or more frequently when events or circumstances suggest that impairment indications are present and if so, these assets are subject to impairment review.

##### **Provision for zakat and income tax**

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

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

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

#### 2.4 Cash and cash equivalents

Cash and cash equivalents of the Company comprise of cash in hand and balances held with a bank. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

#### 2.5 Lease

##### **Lease arrangements where the Company is a lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at an amount equal to the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

# **REKAZ NATIONAL CAPITAL COMPANY**

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

## **NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 December 2022**

**(Amounts in Saudi Riyals)**

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **2.5 Lease (Continued)**

##### **Lease arrangements where the Company is a lessor (Continued)**

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e., after a deduction of the loss allowance).

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at an amount equal to the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

##### **Lease arrangements where the Company is a lessee**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Lease (Continued)

##### Lease arrangements where the Company is a lessee (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

#### 2.6 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

##### 2.6.1 Financial assets

###### Initial measurement

At initial recognition, the Company recognizes the financial asset at its fair value.

###### Subsequent measurement

After initial recognition financial assets can be measured at Amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Financial instruments (Continued)

##### 2.7.1 Financial assets (Continued)

###### a) 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 profit on the principal amount outstanding.

###### b) Financial asset at FVOCI

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 OCI. This selection is made on an investment-by-investment basis.

###### c) Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

#### 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 the information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning a contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of financings in prior years, the reasons for such financings and its expectations about future financings activity. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are 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.

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## NOTES TO THE FINANCIAL STATEMENT

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(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Financial instruments (Continued)

##### 2.7.1 Financial assets (Continued)

###### **Assessments whether contractual cash flows are solely payments of principal and profit**

For the purposes of this assessment, ‘principal’ is the fair value of the financial asset on initial recognition. ‘Profit’ is the consideration for the time value of money, the credit and other basic financing risks associated with the principal amount outstanding during a particular year and other basic financing costs (e.g., liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, 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. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to the cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

###### **Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between:

- (i) the carrying amount (measured at the date of derecognition) and
- (ii) the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

###### **Impairment**

The Company assesses on a forward-looking basis the expected credit loss (“ECL”) associated with its financial assets carried at amortised cost. The Company recognises a loss allowance, if material, for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

##### 2.7.2 Financial liabilities

###### **Initial measurement**

At initial recognition, the Company recognizes the financial liability at its fair value.

###### **Subsequent measurement**

After initial recognition, the Company classifies its financial liabilities at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EPR.

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.7 Financial instruments (Continued)

##### 2.7.2 Financial liabilities (Continued)

###### **Derecognition of financial liability**

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same financier on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

###### **Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

###### **Regular way contracts**

All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e., the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

#### 2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

Computers & Accessories	4 Years
Office Equipment	4 Years
Furniture & Fixture	4 Years
Building Improvements	3 Years or lease period whichever is less

Depreciation on additions is charged from the month the assets are available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

The assets residual values, useful lives, and methods are reviewed and adjusted, if appropriate, at each financial position date.

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## NOTES TO THE FINANCIAL STATEMENT

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.9 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged applying the straight-line method over the useful lives 4 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the profit and loss account in the year in which they arise.

#### 2.10 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss to the extent that it eliminates the impairment loss which has been recognized for the asset in prior years.

#### 2.11 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.12 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### 2.13 Financial facilities

Financial facilities are initially recognized at cost being the fair value of the consideration received together with the associated transaction costs. Subsequently, these are carried at amortized cost using the effective profit rate method.

Transaction costs relating to financial facilities are being amortized over the year of agreement using the effective profit rate method.

#### 2.14 Employee's post-employment benefits

This represents the employee's post-employment benefits plan. Post-employment benefits as required by the Saudi Arabian Labor Law are required to be provided based on the employees' length of service. The Company's net obligations in respect of defined benefit plans (Post-employment benefits) ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government Sukuk at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. Currently, there are no past service costs. There are also no unrecognized re-measurement gains and losses as the entire re-measurement gains and losses are recognized as income or expense in other comprehensive income during the year in which they arise.

#### 2.15 Revenue recognition

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards.

The details of the Company's revenues and the method of their recognition in accordance with IFRS 15 are as follows:

- **Asset management fee income**

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("return-based") subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company's efforts to transfer the services for that period. As asset management fees are not subject to callbacks, the management does not expect any significant reversal of revenue previously recognized.

# **REKAZ NATIONAL CAPITAL COMPANY**

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## **NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 December 2022**

**(Amounts in Saudi Riyals)**

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **2.15 Revenue recognition (Continued)**

- **Advisory fee income**

Income from advisory services includes transaction fee and retainer fee;

Transaction fee is recognized when the Company has rendered all services, based on milestones set under the contract for delivery of service, to the customer and is entitled to collect the fee from the customer with no contingencies associated with the fee; and

Retainer fee is recognized over time as the services are rendered.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when services are performed in accordance with the agreement terms.

#### **2.16 General and Administrative expenses and Selling and marketing expenses**

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company's products/services. All other expenses are classified as general and administrative expenses.

#### **2.17 Zakat**

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on accruals basis. Zakat charge for period is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position.

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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### 2.18 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

#### Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's financial statements, except for where referenced below.

#### New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, 'Leases' – COVID-19	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient	Annual periods beginning on or after 1 April 2021	As a result of the Coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	<p>IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.</p> <p>IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.</p> <p>IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.</p>

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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(Amounts in Saudi Riyals)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.18 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (Continued)

##### New amendments to standards issued and applied effective in the year 2022 (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	<p>IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.</p> <p>IFRS 9: The amendment clarifies that in applying the ‘10 percent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.</p> <p>IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.</p>
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.
IFRS 3	Reference to the Conceptual Framework	January 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

Management has assessed the impact of new standards and amendments effective from 1 January 2022 and determined that they have no material impact on the financial statements of the Company.

##### New standards, amendments, and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.18 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

New standards, amendments, and revised IFRS issued but not yet effective (Continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

### 3 CASH AND CASH EQUIVALENTS

	Note	31 December 2022	31 December 2021
Cash in hand		603	1,264
Cash at banks	3.1	724,139	3,166,984
		<u>724,742</u>	<u>3,168,248</u>

3.1 The Company does not earn profits on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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### 4 RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the period

Names of Related Party	Nature of Relationship	Nature of transactions	2022	2021
Science Technology for Investment and Industrial Development	Related Party	Advisory fee	1,150,000	991,250
National Capital Manufacturing Fund I	Fund managed by the Company	Management fee	1,125,000	335,958
National Capital Health Care Technologies and AI Fund	Fund managed by the Company	Management fee	289,390	289,492
		Arranging fee	-	647,174
		Advisory fee	-	647,174
Rekaz Holding Company	Holding Company	Loan	950,000	-
Remuneration and nomination committee	BOD	Meeting fee	378,000	204,000

#### Key management personnel

	2022	2021
Salaries and other short-term employee benefits	1,620,000	1,788,000

#### Due from Related Party

##### Balances as at the year-end

	2022	2021
National Capital Manufacturing Fund I	631,476	9,401
National Capital Health Care Technologies and AI Fund	5,431	5,431
<b>Total</b>	<b>636,907</b>	<b>14,832</b>

#### Loan Payable to Related Party

##### Balances as at the year-end

	2022	2021
Rekaz Holding Company	950,000	-
<b>Total</b>	<b>950,000</b>	<b>-</b>

The Company has obtained loan from Rekaz Holding Company(Holding Company) to cover the deficit and to ensure the continuity of the company's business. This loan is interest free and will be repaid after 18 months.

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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### 5. INVESTMENT CARRIED AT FVOCI

	Note	31 December 2022	31 December 2021
Investment carried at FVOCI	5.1	3,363,866	2,812,500
		<u>3,363,866</u>	<u>2,812,500</u>

5.1 As per the terms and conditions of the National Capital Manufacturing Fund I, the Company being a Fund Manager of the Fund has received 5% units of the target size of the Fund as sweat equity. These units are being issued to Fund Manager in lieu of an exit fee and carried interest for the Fund manager.

### 6. PROPERTY AND EQUIPMENT

	Computer and Accessories	Office Equipment	Furniture & Fixture	Building Improvement	Total
<b>Cost</b>					
Balance at 1 January 2021	89,782	99,192	180,583	395,699	765,256
Additions	3,503	3,117	13,920	-	20,540
<b>Balance at 31 December 2021</b>	<b>93,285</b>	<b>102,309</b>	<b>194,503</b>	<b>395,699</b>	<b>785,796</b>
<b>Additions</b>	<b>1,710</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,710</b>
<b>Balance at 31 December 2022</b>	<b>94,995</b>	<b>102,309</b>	<b>194,503</b>	<b>395,699</b>	<b>787,506</b>
<b>Accumulated depreciation</b>					
Balance at 1 January 2021	10,685	8,271	13,073	31,232	63,261
Charge for the year	23,228	25,039	46,118	131,900	226,285
<b>Balance at 31 December 2021</b>	<b>33,913</b>	<b>33,310</b>	<b>59,191</b>	<b>163,132</b>	<b>289,546</b>
<b>Charge for the year</b>	<b>23,996</b>	<b>25,211</b>	<b>48,626</b>	<b>131,900</b>	<b>229,733</b>
<b>Balance at 31 December 2022</b>	<b>57,909</b>	<b>58,521</b>	<b>107,817</b>	<b>295,032</b>	<b>519,279</b>
<b>As at December 31, 2022</b>	<b>37,086</b>	<b>43,788</b>	<b>86,686</b>	<b>100,667</b>	<b>268,227</b>
As at December 31, 2021	59,372	68,999	135,312	232,567	496,250

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

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### 7. INTANGIBLE ASSETS

	Computer Software
<b>Cost</b>	
Balance at 1 January 2021	960,809
Additions	-
<b>Balance at 31 December 2021</b>	<b>960,809</b>
<b>Additions</b>	<b>-</b>
<b>Balance at 31 December 2022</b>	<b>960,809</b>
<b>Accumulated amortization</b>	
Balance at 1 January 2021	274,013
Charge for the year	311,537
<b>Balance at 31 December 2021</b>	<b>585,550</b>
<b>Charged for the year</b>	<b>335,315</b>
<b>Balance at 31 December 2022</b>	<b>920,865</b>
<b>Net Book Value</b>	
<b>As at 31 December 2022</b>	<b>39,944</b>
As at 31 December 2021	375,259

### 8. RIGHT-OF-USE ASSETS

	Leased Office Premises
<b>Cost</b>	
Balance at 1 January 2021	1,300,693
Additions	-
<b>Balance at 31 December 2021</b>	<b>1,300,693</b>
Additions	-
<b>Balance at 31 December 2022</b>	<b>1,300,693</b>
<b>Accumulated depreciation</b>	
Balance at 1 January 2021	376,516
Charge for the year	410,745
<b>Balance at 31 December 2021</b>	<b>787,261</b>
Charge for the year	444,974
<b>Balance at 31 December 2022</b>	<b>1,232,235</b>
<b>Net Book Value</b>	
<b>As at 31 December 2022</b>	<b>68,458</b>
As at 31 December 2021	513,432

### 9. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
VAT Receivable	46,120	-
Prepaid License	63,811	48,534
Prepaid Insurance	38,973	36,488
Advance to Staff	3,274	4
Others-asset	23,190	75,328
	<b>175,368</b>	<b>160,354</b>

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

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For the year ended 31 December 2022

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### 10. SHARE CAPITAL

As at 31 December 2022, issued and fully paid-up share capital of the Company was SR 10,000,000 (2021: SR 10,000,000) divided into 1,000,000 shares with a nominal value of SR 10 each.

Name	31 December 2022		
	No. of shares	Per share price	Amount SR
Rekaz Holding Company	750,000	10	7,500,000
Bayet Kamda Company	75,000	10	750,000
Bayet Sara Contracting Company	75,000	10	750,000
Huda Salman Al Haqbani	50,000	10	500,000
Salman Abdullah Al Sayed	50,000	10	500,000
	<b>1,000,000</b>	<b>10</b>	<b>10,000,000</b>

Name	31 December 2021		
	No. of shares	Per share price	Amount SR
Rekaz Holding Company	750,000	10	7,500,000
Bayet Kamda Company	75,000	10	750,000
Bayet Sara Contracting Company	75,000	10	750,000
Huda Salman Al Haqbani	50,000	10	500,000
Salman Abdullah Al Sayed	50,000	10	500,000
	<b>1,000,000</b>	<b>10</b>	<b>10,000,000</b>

### 11. STATUTORY RESERVE

In accordance with the Company's By-Laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital.

### 12. OTHER PAYABLES AND ACCRUALS

	31 December 2022	31 December 2021
VAT payable	-	35,525
GOSI	112,328	44,512
Reclassified from lease liabilities	-	300,000
Others	547,188	115,156
	<b>659,516</b>	<b>495,193</b>

### 13. LEASES

13.1 Amounts recognized in the statement of financial position and statement of comprehensive income

	31 December 2022	31 December 2021
<b>Lease Liabilities – Office Premises</b>		
<b>Opening balance</b>	<b>451,256</b>	882,580
Additions during the year	-	-
Finance cost	12,244	33,730
Less: One time payment discount	-	(20,867)
Less: Lease payments during the period	(463,500)	(444,187)
<b>Closing balance</b>	<b>-</b>	<b>451,256</b>

# REKAZ NATIONAL CAPITAL COMPANY

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For the year ended 31 December 2022

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### 13 LEASES (Continued)

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Lease Liabilities – Software</b>		
<b>Opening balance</b>	299,372	583,865
Additions during the year	-	-
Charge for the year	628	15,507
Less: Lease payments during the year	(300,000)	-
Less: Lease payment (reclassified to other payables and accruals)	-	(300,000)
<b>Closing balance</b>	<u>-</u>	<u>299,372</u>
<b>Total</b>	<u>-</u>	<u>750,628</u>

#### 13.2 Maturity profile of lease Liabilities

<b>Office Premises</b>		
Year 1	-	463,500
Year 2	-	-
Total undiscounted liability		463,500
Less: Finance cost	-	(12,244)
<b>Closing balance</b>		<u>451,256</u>

#### Leased Software

Year 1	-	300,000
Year 2	-	-
Total undiscounted liability		300,000
Less: Finance cost	-	(628)
<b>Closing balance</b>		<u>299,372</u>

### 14 EMPLOYEES' POST-EMPLOYMENT BENEFITS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Opening balance	206,316	96,700
Provided during the year	131,287	109,616
Paid during the year	-	-
Balance as at year end	<u>337,603</u>	<u>206,316</u>

### 15 REVENUE

	<u>For the year ended 31 December 2022</u>	<u>For the year ended 31 December 2021</u>
<b>Revenue from main operation</b>		
Advisory fee	1,775,000	1,638,424
Management fee	1,414,390	550,402
Arranging fee	-	647,174
	<u>3,189,390</u>	<u>2,836,000</u>

Advisory fee, management fee and arrangement fee is amortized over the period as and when the services are delivered.

### 16 GENERAL AND ADMINISTRATIVE EXPENSES

# REKAZ NATIONAL CAPITAL COMPANY

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## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
Legal, professional and consultancy fees		383,854	702,624
Depreciation of right of use assets	8	444,974	410,745
Insurance expense		311,111	311,056
Board meeting fees		378,000	204,000
Government expenses		81,162	182,419
Repair and Maintenance Expense		46,350	57,563
IT Expenses		153,096	158,440
Depreciation of property and equipment	6	229,733	226,285
Travelling costs		19,800	42,296
Amortization of intangibles	7	335,315	311,537
Miscellaneous		81,906	160,632
Utilities		21,151	-
		<b>2,486,452</b>	<b>2,767,597</b>

### 17 PROVISION FOR ZAKAT

17.1 The movement in the Zakat provision is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	-	285,505
Charge for the year	76,677	-
Prior year adjustment	143,154	-
Payment during the year	(143,154)	(285,505)
Balance as at year end	<b>76,677</b>	<b>-</b>

### 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### 18.1 Financial risk factors

The objective of the Company is to safeguard the Company's ability to continue as a going concern so that it can continue to provide optimum returns to its shareholder. The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company Management is responsible for identifying and controlling risks.

Monitoring and controlling risk is primarily set up to be performed based on the limits established by the Company's board of directors. The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency. The Company's transactions are principally in SAR and exposures in foreign currencies are not significant.

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 18.1 Financial risk factors (Continued)

(a) **Market risk**

(ii) *Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Company does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

The Company is not exposed to fair value commission rate risk as the financial instruments of the Company are measured at FV-OCI.

(iii) *Price risk*

Price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and profit rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds. The Company diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Company has equity investments in Investee funds.

	31 December 2022		31 December 2021	
	Potential reasonable change %	Effect on equity	Potential reasonable change %	Effect on equity
National Capital Manufacturing Fund I	5%	168,193	5%	140,625
	10%	336,387	10%	281,250

(b) **Credit risk**

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

#### Bank balances and other receivables

The credit quality of the Company's bank balances is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. Other receivables are neither significant nor exposed to significant credit risk. No ECL was taken for bank balances as the impact of the ECL was not material.

	31 December 2022	31 December 2021
<b>Cash at bank:</b>		
BBB+ 1	724,742	3,168,248
	<b>724,742</b>	<b>3,168,248</b>

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

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(Amounts in Saudi Riyals)

### 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 18.1 Financial risk factors (Continued)

##### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The shareholders of the Company are committed to provide the necessary financial support to the Company for its working capital, as and when needed. The table below summarizes the maturity profile of significant assets and liabilities of the Company based on expected maturities:

	31 December 2022		
	Less than 1 year	More than one year	Total
<b>ASSETS</b>			
Cash and cash equivalents	724,742	-	724,742
Other receivables	72,584	-	72,584
Due from a related party	636,907	-	636,907
Investment carried at FVOCI	-	3,363,866	3,363,866
<b>TOTAL ASSETS</b>	<b>1,434,233</b>	<b>3,363,866</b>	<b>4,798,099</b>
<b>LIABILITIES</b>			
Loan payable to related party	-	950,000	950,000
Other payables and accruals	659,516	-	659,516
Provision for zakat	76,677	-	76,677
Employees' post-employment benefits	-	337,603	337,603
<b>TOTAL LIABILITIES</b>	<b>736,193</b>	<b>1,287,603</b>	<b>2,023,796</b>
<b>Maturity gap</b>	<b>698,040</b>	<b>2,076,263</b>	<b>2,774,303</b>
<b>Cumulative maturity gap</b>	<b>698,040</b>	<b>2,774,303</b>	<b>2,774,303</b>
<b>31 December 2021</b>			
	Less than 1 year	More than one year	Total
Cash and cash equivalents	3,168,248	-	3,168,248
Other receivables	75,332	-	75,332
Due from a related party	14,832	-	14,832
Investment carried at FVOCI	-	2,812,500	2,812,500
<b>TOTAL ASSETS</b>	<b>3,258,412</b>	<b>2,812,500</b>	<b>6,070,912</b>
<b>LIABILITIES</b>			
Other payables and accruals	495,192	-	495,192
Lease Liabilities	750,628	-	750,628
Provision for zakat	-	-	-
Employees' post-employment benefits	-	206,316	206,316
<b>TOTAL LIABILITIES</b>	<b>1,245,820</b>	<b>206,316</b>	<b>1,452,136</b>
<b>Maturity gap</b>	<b>2,012,592</b>	<b>2,606,184</b>	<b>4,618,776</b>
<b>Cumulative maturity gap</b>	<b>2,012,592</b>	<b>4,618,776</b>	<b>4,618,776</b>

# REKAZ NATIONAL CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2022

(Amounts in Saudi Riyals)

### 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

#### 18.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

	31 December 2022			
	Fair value			
	Level			
	1	2	3	Total
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	3,363,866	3,363,866
	31 December 2021			
	Fair value Level			
	1	2	3	Total
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	2,812,500	2,812,500

Financial assets at fair value through other comprehensive income classified as Level 3 include investments in an unquoted fund, the fair value of which is determined based on the fund's project cash flow at net present value.

### 19. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at 31 December 2022

### 20. COMPARITIVE FIGURES

Certain comparative figures have been reclassified to confirm to the presentation adopted in these financial statements, the effect of which are considered immaterial.

### 21. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-ended that would require adjustment in these financial statements.

### 22. APPROVALS OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Board on 4 Ramadan 1444 H, corresponding to 26 March 2023 G.