مجموعة تداول السعودية
Saudi Tadawul Group

YE 2022

SAUDI TADAWUL GROUP HOLDING COMPANY

(A Saudi Joint Stock Company)

Consolidated Financial Statements

For the year ended 31 December 2022

and the Independent Auditor's report

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EY
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI TADAWUL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the consolidated financial statements of Saudi Tadawul Group Holding Company, a Saudi joint stock company, (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed unqualified opinion on those consolidated financial statements on 6 Sha'ban1443H (corresponding to 9 March 2022).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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Key Audit Matters (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Revenue is key element of consolidated financial statements due to its materiality and is a key metric for the user of the Group's consolidated financial statements. Due to its scale and significance to the consolidated financial statements revenue recognition is determined as key audit matter. The Group has recognised revenue of SR 1,071 million for the year ended 31 December 2022 (2021: SR 1,166 million). The Group's revenue comprises of trading services, listing services, technology and information services, membership services and post-trade services. The recognition of certain revenue streams is automated while others revenue streams is through manual processing, therefore, controls around revenue recognition process are critical for correct recognition of revenue.	Our audit procedures performed included, among others, the following: – Obtained our understanding of the revenue recognition process including the recording of the different revenue streams; – Tested design and implementation of relevant key controls around the revenue recognition process including the recognition of revenue streams; – Involved our IT specialists to test the operating effectiveness of general IT controls and IT application controls around the revenue recognition of trading services, technology and information services and major post-trade services (clearing, settlement and trading related custody services); – Performed recalculation of revenue recorded from trading services, listing fees (annual) and part of post-trade services (in relation to trading activity); – For a sample of transactions, we performed test of details to verify that the revenue recorded from listing fees, technology and information services and other post-trade services exists and is accurate through vouching to sales invoices; – Evaluated the accounting policies around the recognition of revenue under each revenue stream to determine if the recognition meets the point in time or over the period revenue recognition criteria; and – Assessed the appropriateness of the presentation and disclosures in the consolidated financial statements with respect to revenue and the relevant accounting policies.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI TADAWUL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)

Other information included in The Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI TADAWUL GROUP HOLDING COMPANY
(A SAUDI JOINT STOCK COMPANY) (CONTINUED)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

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

Riyadh: 05 Sha'ban 1444H
(25 February 2023)

CR.1010383821
Ernst & Young Professional Services (Professional LLC)

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Saudi Arabian Riyals)

	Notes	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property and equipment	4	**110,404,115**	56,056,384
Intangible assets	5	**139,298,385**	144,727,277
Investments in associates	6	**400,697,523**	375,616,085
Right-of-use assets	7	**5,310,445**	7,120,394
Investments	8	**55,809,077**	55,272,377
Total non-current assets		**711,519,545**	638,792,517
Current assets			
Investments	8	**618,569,219**	2,631,732,808
Accounts receivable	9	**64,348,393**	60,547,611
Prepaid expenses and other current assets	10	**116,105,444**	108,059,619
Clearing participant financial assets	11	**4,060,678,204**	18,013,567
Cash and cash equivalents	12	**2,118,826,096**	86,197,458
Total current assets		**6,978,527,356**	2,904,551,063
Total assets		**7,690,046,901**	3,543,343,580
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**1,200,000,000**	1,200,000,000
Statutory reserve	13	**360,000,000**	360,000,000
Retained earnings		**1,619,689,827**	1,532,440,906
Total equity		**3,179,689,827**	3,092,440,906
Non-current liability			
Employees' end-of-service benefits liability	14	**79,561,092**	96,876,185
Total non-current liability		**79,561,092**	96,876,185
Current liabilities			
Clearing participant financial liabilities	15	**4,031,775,573**	18,013,349
Lease liabilities	16	**-**	982,913
Accounts payable	17	**30,928,875**	6,785,710
Balance due to Capital Market Authority (CMA)	18	**19,375,330**	22,280,843
Deferred revenue	19	**16,722,361**	3,214,902
Accrued expenses and other current liabilities	20	**264,771,975**	236,085,074
Zakat provision	21	**67,221,868**	66,663,698
Total current liabilities		**4,430,795,982**	354,026,489
Total liabilities		**4,510,357,074**	450,902,674
Total equity and liabilities		**7,690,046,901**	3,543,343,580

The accompanying notes from (1) through (37) form an integral part of these consolidated financial statements

Chairperson	Group Chief Executive Officer	Group Chief Financial Officer

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Saudi Arabian Riyals)

		For the year ended 31 December	
	Notes	**2022**	2021
Operating revenue	*22*	**1,071,429,658**	1,166,080,140
Operating costs	*23*	**(387,725,914)**	(331,786,738)
Gross profit		**683,703,744**	834,293,402
General and administrative expenses	*24*	**(256,317,557)**	(221,535,351)
(Allowance) / reversal of allowance for expected credit losses	*25*	**(268,425)**	814,878
Operating profit		**427,117,762**	613,572,929
Investment income	*26*	**74,724,252**	40,596,274
Share of results of associates	*6*	**(9,918,562)**	(3,279,208)
Finance costs	*27*	**(2,371,987)**	(2,695,456)
Other income, net		**2,737,273**	5,732,352
Non-operating profit		**65,170,976**	40,353,962
Profit before zakat for the year		**492,288,738**	653,926,891
Zakat expense	*21*	**(67,690,412)**	(66,223,360)
Net profit for the year		**424,598,326**	587,703,531
Other comprehensive income / (loss)			
Other comprehensive income / (loss) that will not be reclassified subsequently to the statement of profit or loss:			
Actuarial remeasurement of employees' termination benefits	*14*	**22,650,595**	(9,885,004)
Other comprehensive income (loss) for the year		**22,650,595**	(9,885,004)
Total comprehensive income for the year		**447,248,921**	577,818,527
Basic and diluted earnings per share	*28*	**3.54**	4.90

The accompanying notes from (1) through (37) form an integral part of these consolidated financial statements

Chairperson *Group Chief Executive Officer* *Group Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Saudi Arabian Riyals)

	Share capital	Statutory reserve	General reserve	Retained earnings	Total equity
Balance as at 1 January 2022	**1,200,000,000**	**360,000,000**	-	**1,532,440,906**	**3,092,440,906**
Net profit for the year	-	-	-	**424,598,326**	**424,598,326**
Other comprehensive income for the year	-	-	-	**22,650,595**	**22,650,595**
Total comprehensive income for the year	-	-	-	**447,248,921**	**447,248,921**
Dividends (Note 35)	-	-	-	**(360,000,000)**	**(360,000,000)**
Balance as at 31 December 2022	**1,200,000,000**	**360,000,000**	-	**1,619,689,827**	**3,179,689,827**
Balance as at 1 January 2021	1,200,000,000	376,963,633	1,114,180,214	943,478,532	3,634,622,379
Net profit for the year	-	-	-	587,703,531	587,703,531
Other comprehensive loss for the year	-	-	-	(9,885,004)	(9,885,004)
Total comprehensive income for the year	-	-	-	577,818,527	577,818,527
Dividends (Note 35)	-	-	-	(1,120,000,000)	(1,120,000,000)
Transfer to retained earnings	-	(16,963,633)	(1,114,180,214)	1,131,143,847	-
Balance as at 31 December 2021	1,200,000,000	360,000,000	-	1,532,440,906	3,092,440,906

The accompanying notes from (1) through (37) form an integral part of these consolidated financial statements

Chairperson

Group Chief Executive Officer

Group Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year end 31 December 2022

(Saudi Arabian Riyals)

	Notes	For the year ended31 December 2022	2021
Cash flows from operating activities			
Profit before zakat for the year		**492,288,738**	653,926,891
Adjustments to reconcile profit before zakat for the year to net cash generated from operating activities:			
Depreciation and amortization	*23,24*	**63,179,908**	57,016,184
Allowance / (reversal) of allowance for expected credit losses	*9*	**315,081**	(817,875)
(Reversal) / allowance for expected credit losses on investments held at amortized cost	*8.1.1*	**(46,656)**	2,997
Provision for employees' end-of-service benefits	*14*	**12,305,828**	11,430,706
Realised gain on sale of investments	*26*	**(17,707,501)**	(8,826,153)
Unrealised gain on investments	*26*	**(8,722,423)**	(22,134,258)
Dividend income	*26*	**(5,513,917)**	(6,103,257)
Commission income	*26*	**(42,780,411)**	(3,532,606)
Share of results of associates	*6*	**9,918,562**	(3,279,208)
Finance cost on lease liability		**130,602**	956,484
Changes in operating assets and liabilities:			
Accounts receivable		**(4,115,863)**	(3,182,793)
Prepaid expenses and other current assets		**(8,045,825)**	(5,787,784)
Accounts payable		**24,143,165**	808,663
Balance due to Capital Market Authority (CMA)		**(2,905,513)**	(10,477,942)
Deferred revenue		**13,507,459**	(8,562)
Accrued expenses and other current liabilities		**28,686,901**	30,131,167
Clearing participant financial assets		**(4,023,898,360)**	4,163,991
Clearing participant financial liabilities		**4,013,762,224**	(4,164,208)
Net cash generated from operations		**544,501,999**	690,122,437
Employees' end-of-service benefits paid	*14*	**(6,970,326)**	(15,463,571)
Zakat paid	*21*	**(67,132,242)**	(83,120,936)
Net cash flows from operating activities		**470,399,431**	591,537,930
Cash flows from investing activities			
Purchase of investments		**(901,297,885)**	(1,990,510,071)
Proceeds from disposal of investments		**2,943,673,156**	2,552,112,946
Commission income received on investment at amortised cost		**3,142,172**	3,218,820
Dividend income received		**1,446,909**	264,930
Commission received on time deposits		**21,674,617**	-
Purchase of intangible assets and property and equipment		**(99,094,375)**	(43,464,911)
Investment in associate		**(35,000,000)**	-
Net cash flows from investing activities		**1,934,544,594**	521,621,714
Cash flows from financing activities			
Finance cost paid of lease liabilities		**(130,602)**	(956,484)
Principal repayment of lease liabilities		**(12,184,785)**	(12,804,078)
Dividends paid	*35*	**(360,000,000)**	(1,120,000,000)
Net cash flows used in financing activities		**(372,315,387)**	(1,133,760,562)
Net increase / (decrease) in cash and cash equivalents		**2,032,628,638**	(20,600,918)
Cash and cash equivalents at beginning of the year		**86,197,458**	106,798,376
Cash and cash equivalents at end of the year	*12*	**2,118,826,096**	86,197,458

The accompanying notes from (1) through (37) form an integral part of these consolidated financial statements

Chairperson | *Group Chief Executive Officer* | *Group Chief Financial Officer*

1. GENERAL

Saudi Tadawul Group Holding Company (formerly "Saudi Stock Exchange Company") (the Company) is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010241733 dated 2/12/1428 H (corresponding to 12 December 2007). The Company was established by the Royal Decree no. M/15 dated 01/03/1428 H (corresponding to 20 March 2007) and the Ministry of Commerce resolution no. 320/k dated 1/12/1428 H (corresponding to 11 December 2007).

On 1 June 2021, the Company announced its restructuring which resulted in transforming the Saudi Stock Exchange Company (Tadawul) into a holding company under the name of Saudi Tadawul Group Holding Company, a parent company of four wholly owned subsidiaries; Saudi Exchange Company (Exchange), Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa), and Tadawul Advance Solution Company (Wamid). The details of these subsidiaries are given in note 1.1. From 1 June 2021, the operations of the Company, that included listing, trading and dissemination of securities information were transferred to Exchange.

The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government") as ultimate controlling party through the Public Investment Fund ("PIF" or "Parent"). On 8 December, 2021, the Company completed its Initial Public Offering ("IPO") and its ordinary shares were listed on the Saudi Stock Exchange. In connection with the IPO, the Government through PIF sold 30% of their stake representing 36 million ordinary shares. On 13 November 2022, PIF sold an additional 10% of their stake representing 12 million ordinary shares. Accordingly, PIF now holds 60% (31 December 2021: 70%) of the share capital. As at 31 December 2022, the authorized, issued and fully paid-up share capital of the Company is SAR 1,200 million (31 December 2021: SAR 1,200 million) divided into 120 million shares (31 December 2021: 120 million shares) of SAR 10 each.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively referred to as "the Group").

The Company's main activities, after becoming a holding company, are managing and supporting subsidiaries or participating in the management of other companies in which it owns shares, investing its funds in shares and other securities, owning real estate and other properties in connection with its businesses, granting loans, guarantees and financing to its subsidiaries, and owning and leasing industrial property rights to its subsidiaries or other companies.

The Group's main activities through dedicated subsidiaries (given in note 1.1) is to provide a listing service, create and manage the mechanisms of trading of securities, providing depository and registration services for securities ownership, clearing of securities trades, dissemination of securities information and engage in any related other activity to achieve the objectives as defined in the Capital Market Law.

The Company's registered office address is as follows:

6897 King Fahd Road - Al Olaya
Unit Number: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia

1. GENERAL (CONTINUED)

1.1 Details of the Company's subsidiaries:

Name of subsidiaries	Country of incorporation & legal status	Commercial registration dated	Business activity	Ownership, direct and effective		Paid up share capital
				December 2022	December 2021	
Securities Depository Center Company ("Edaa")	Kingdom of Saudi Arabia, Closed Saudi Joint Stock Company	27/11/1437 H (corresponding to 30 August 2016 G)	Depository and registration of securities	100%	100%	400,000,000
Securities Clearing Center Company ("Muqassa")	Kingdom of Saudi Arabia, Closed Saudi Joint Stock Company	02/06/1439 H (corresponding to 18 February 2018 G)	Clearing services of securities	100%	100%	600,000,000
Tadawul Advance Solution Company ("Wamid")	Kingdom of Saudi Arabia, Closed Saudi Joint Stock Company	10/02/1442 H (corresponding to 28 September 2020 G)	Financial technology solutions, innovative capital market solutions for stakeholders	100%	100%	75,000,000
Saudi Exchange Company ("Exchange")	Kingdom of Saudi Arabia, Closed Saudi Joint Stock Company	17/08/1442 H (corresponding to 31 March 2021G)	Listing and trading of securities, market information dissemination	100%	100%	600,000,000

1.2 Details of the Company's associates:

Name of associates	Country of incorporation & legal status	Commercial registration dated	Business activities	Ownership, direct and effective		Paid up share capital
				December 2022	December 2021	
Tadawul Real Estate Company ("TREC")	Kingdom of Saudi Arabia, Limited Liability Company	22/02/1433 H (corresponding to 17 January 2012 G)	Buying, selling, renting, managing and operating real estate facilities	33.12%	33.12%	1,280,000,000
Regional Voluntary Carbon Market Company ("RVCM"), refer Note 6.2	Kingdom of Saudi Arabia, Limited Liability Company	28/03/1444 H (corresponding to 24October 2022 G)	Active market and Auction for Carbon Credits	20%	-	175,000,000

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated 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 that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and in compliance with the provisions of the Companies' Law in the Kingdom of Saudi Arabia and the By-laws of the Company.

2.2 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis, except for financial assets measured at fair value through profit or loss which are measured at fair value and employees' end-of-service benefits which are measured at the present value of future obligations using projected unit credit method.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentational currency of the Group and its subsidiaries and associates. All amounts have been rounded to the nearest SAR.

2.4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia is requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, profit and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about material assumptions and estimation uncertainties are included in:

- Impairment of investment in associates:
  As referred to in note 3.7 of these consolidated financial statements, the Group estimates the recoverable amount of its investment for the assessment of impairment. To compute the recoverable amount of investment in associates, the Group applies its judgement in determining the recoverable amount. Based on the evaluation, the Group has concluded that there are no impairment indicators as at year end.

- Valuation of the employees' end-of-service benefits liability:
  The costs of defined benefit plans are determined using actuarial valuations. The actuarial valuation involves making assumptions, which are reviewed annually. Key assumptions include discount rates, future salary increases, employee turnover and mortality rates. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. Information about amounts reported in respect of defined benefit plans, assumptions applicable to the plans and their sensitivity to changes are presented in note 14.
- Allowance for expected credit losses,
  Allowance of expected credit losses are probability-weighted estimate of credit losses. Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.
- Impairment of property and equipment, intangible and right-of-use assets refer note 3.6
- Revenue recognition on time or over period of time refer note 3.11

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

3.1 New standards and amendments issued

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Standards and amendments issued and not yet effective

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

Effective for annual financial periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1 January 2024	Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.
1 January 2023	Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
1 January 2023	Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
1 January 2023	IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
1 January 2023	Amendments to IAS 8 - Definition of Accounting Estimates	The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
1 January 2024	Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	The amendments require seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation

These consolidated financial statements comprise the financial statements of Saudi Tadawul Group Holding Company and its subsidiaries (collectively referred to as "the Group"). Control is achieved of the Group is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

3.3 Financial instruments

i. Recognition and initial measurement:

Account receivables are in initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement of financial assets:

The classification and measurement of financial assets is set out below:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment; or
- fair value through profit or loss (FVTPL)

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets at amortized cost

A financial asset is measured at amortised cost 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 to hold assets to collect contractual cash flows; 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.

Investments in debt securities which meet the above conditions, cash and cash equivalents, accounts receivable and other receivables are carried at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

ii. Classification and subsequent measurement of financial assets: (continued)

Financial assets at FVOCI

A debt investment is measured at FVOCI 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 Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in units of mutual funds are carried at FVTPL.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

ii. Classification and subsequent measurement of financial assets: (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. '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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Fair value changes including any interest or dividend, are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at amortised cost	These assets are recognized initially at cost and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest profit, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Fair value changes are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Fair value changes are recognised in OCI and are never reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

iii. Classification and measurement of financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss, unless they are required to be measured at fair value through profit or loss. The Group measure all financial liabilities at amortised cost except employees' end-of-service benefit liability.

iv. Derecognition

Financial assets
A financial asset is derecognized 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 Group 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, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial liabilities
A financial liability is derecognized when its contractual obligations are discharged or cancelled or expired.

v. Offsetting

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a currently legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Profit and expenses are not being offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

vi. Impairment of financial assets

IFRS 9 uses the 'expected credit loss' (ECL) model to assess the impairment of financial assets. The impairment model applies to financial assets measured at amortised cost and contract assets but not to investments in equity instruments.

The expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. If the credit risk of the financial instrument has not increased significantly since inception, then an amount equal to 12 month expected loss is provided. In other cases, lifetime credit losses shall be provided. For trade receivables with a significant financing component, a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, the Group can choose to provide for the expected losses based on lifetime expected losses. The Group has chosen to avail the option of lifetime expected credit losses ("ECL''). For trade receivables with no significant financing component, the Group is required to follow lifetime ECL.

The Group recognizes loss allowances for Expected Credit Losses (ECLs) on:
- financial assets measured at amortised cost; and
- contract assets

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

vi. Impairment of financial assets (continued)

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:
- debt instruments that are determined to have low credit risk at the reporting date; and
- other debt instruments and bank balances for which credit risk has not increased significantly since initial recognition.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

Measurement of ECLs
ECLs are probability-weighted estimate of credit losses. Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Credit losses for financial assets other than trade receivables which are current in nature are measured as the present value of all cash shortfalls (i.e. the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the Group expects to receive.)

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivables and investments at amortized cost are presented in profit or loss.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off
The gross carrying amount of a financial asset is written-off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when:
- the customer has been deemed bankrupt;
- the customer seized to exist as a legal entity; or
- the group negotiated a partial payment where the rest of the outstanding balance will be written - off

3.4 Property and equipment

Property and equipment except land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is measured at its cost.

The cost include expenditure directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property and equipment (continued)

The cost of replacing part of an item of operating fixed assets is recognized in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of operating fixed assets are recognized in the profit or loss as incurred.

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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Depreciation
Depreciation is calculated over depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment except for the land and capital work-in-progress. Depreciation of an asset begins when it is available for use.

The estimated useful lives for current and comparative periods of different items of property and equipment are as follows:

	Estimated useful lives (years)
Building	30
Furniture and fixtures	10
Computers	4
Office equipment	6
Vehicles	4

Depreciation methods, useful lives, impairment indicators and residual values are reviewed at each annual reporting date and adjusted, if appropriate.

3.5 Intangible assets

These represent software held for use in the normal course of business and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to profit or loss over an estimated useful lives of the software using the straight-line method. The estimated useful lives of softwares ranges from 4 to 10 years.

Work-in-progress is stated at cost until the development of software is complete and installed. The software is developed by third parties to the Group's specification. Upon the completion and installation, the cost together with cost directly attributable to development and installation are capitalized to the intangibles. No amortization is charged on work-in-progress.

An item of intangible asset 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 assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

3.6 Impairment of non-financial assets

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

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 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of non-financial assets (continued)

The Group's corporate assets do not generate separate cash inflows. Therefore, a corporate asset is not tested for impairment as an individual asset on a stand-alone basis, unless management has decided to dispose of the asset. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. A portion of a corporate asset is allocated to a CGU when the allocation can be done on a reasonable and consistent basis.

When a portion of a corporate asset cannot be allocated to a CGU on a reasonable and consistent basis, two levels of impairment tests are carried out.

- The first test is performed at the individual CGU level without the corporate asset (bottom-up test), and any impairment loss is recognized.
- The second test is applied to the minimum collection of CGUs to which the corporate asset can be allocated reasonably and consistently (top-down test).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.7 Investments in investment in associates

An associate is an entity over which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the profit or loss and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the profit and loss.

Unrealised gains arising from transactions associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less and that are subject to an insignificant risk of changes in value, if any, which are available to the Group without any restrictions.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in profit or loss.

3.10 Employees' end-of-service benefits liability

Employees' end-of-service benefits are payable to all employees employed under the terms and conditions of the labor laws applicable to the Group.

The Group's net obligation in respect of employees' end-of-service benefits is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods. That benefit is discounted to determine its present value.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods

The Group recognises the following changes in the defined benefits obligation under 'operating cost' and 'general and administrative expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Interest expense.

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition

The main source of the Group's revenue is through fees for services provided. Revenue is measured based on the consideration specified in a contract with a customer.

The Group recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or deliver a service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or deliver services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the total consideration to which the Group is entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Group recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or deliver a service to the customer under a contract.

The revenue recognition policies for revenue streams under each operating segment are set out below:

A. Capital Markets

Revenues in the Capital Markets segment are generated from Primary and Secondary market services.

A.1 Primary market initial listing and the ongoing listing services represent a performance obligation from initial listing and additional issuances at over period of time. The Group recognizes the revenue at the time of admission and additional issuance. All initial listing fees are billed to the listed company at the time of admission and become payable when invoiced.

A.2 Primary market annual listing fees, secondary markets membership and subscription fees are collected semi-annually and are recorded as contract liabilities (deferred revenue) and subsequently recognized in profit or loss on a straight line basis over the period of twelve months to which the fee relates, as it reflects the extent of the Group's progress towards completion of the performance obligation under the contract.

A.3 Secondary market trading and associated capital market services are recognised as revenue on a per transaction basis at the point the service is provided.

A.4 Derivative market trading and associated capital market services are recognised as revenue on a per transaction basis at the point the service is provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (continued)

B. Post Trade

Revenues in the post trade segment are generated from clearing, settlement, custody and other post trade services.

B.1 Clearing, settlement and custody services generate fees from trades or contracts cleared and settled and custody services which are recognised as revenue at a point in time when the Group meets its obligations to complete the transaction or service. In cases where the Group's performance obligations related to custody services are completed over time, revenue is recognised on a straight-line basis, representing the continuous delivery of services over the period. In cases where there is a fixed annual fee for a service, the revenue is recognised overtime and billed on annual basis.

B.2 Other post trade services include revenue from registry services which is collected annually at the start of the year and is recorded as contract liabilities (deferred revenue) and is subsequently recognized in profit or loss on a straight line basis over the period to which the fee relates, as it reflects the extent of the Group's progress towards completion of the performance obligation under the contract.

C. Data and technology services

The Data and technology services segment generates revenues from the provision of information and data products including, benchmarks and customized indices, real-time market data, reference data and analytics services.

C.1 Data subscription and index license fees are recognised over the license or usage period as the Group meets its obligation to deliver data consistently throughout the license period. Services are billed on a monthly or annual basis.

C.2 Co-location services offer trading participants the opportunity to co-locate their services and rent server space within the Company's data center to ensure the lowest latency route possible to Saudi Tadawul Group's trading services and products. This revenue is recognised over time, consistent with the pattern of the service provision and how the performance obligation is satisfied throughout the contract period.

C3. Other information services include licenses to the regulatory news service and reference data businesses. Revenue from licenses that grant the right to access intellectual property are recognised over time, consistent with the pattern of the service provision and how the performance obligation is satisfied throughout the license period.

D. Other fees

These fees are generated from the provision of events and media services, and are typically recognised as revenue at the point the service is rendered and becomes payable when invoiced.

E. Dividend income.

Dividend income recognized when the right to receive is established.

F. Commission income.
Special commission income recognized in profit or loss on an effective yield basis.

3.12 Expenses

General and administrative expenses are those arising from the Group's efforts underlying the marketing, consultancy, administrative and maintenance functions. Costs that relate directly to operations are classified as operating cost. Allocations of common expenses between operating costs and general and administrative expenses, when required, are made on a consistent basis.

3.13 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting year. 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. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of FVOCI instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Zakat

The Group is subject to Zakat in accordance with the Zakat regulation issued by the General Authority for Zakat and Tax ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is recognized in the consolidated statement of profit or loss. Zakat is levied at a fixed rate of 2.5% of the zakat base as defined in the Zakat regulations.

Additional zakat calculated by ZATCA, if any, related to prior years is recognized in the year in which final declaration is issued.

3.15 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability. All are assessed at reporting date and disclosed in the Group's consolidated financial statements under contingent liabilities.

3.16 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Fair value measurement (continued)

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3.17 Right-of-use assets and lease liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration.

As a lessee:

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred at and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Right-of-use assets and lease liabilities (continued)

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.18 Current versus non-current classification

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

- expected to be realised or Intended to be sold or consumed in the normal operating;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4. PROPERTY AND EQUIPMENT

	Notes	Land	Buildings	Furniture and fixtures	Computers	Office equipment	Vehicles	Capital work-in-progress	Total
Cost:									
Balance as at 1 January 2021		2,310,985	618,248	19,985,449	118,338,359	18,744,035	1,656,350	2,003,775	163,657,201
Additions		-	-	1,958,298	7,042,774	1,002,817	477,372	1,767,262	12,248,523
Reclassification	*5*	-	-	-	34,322,078	-	-	-	34,322,078
Disposals		-	-	-	(14,530)	-	-	-	(14,530)
Balance as at 31 December 2021		2,310,985	618,248	21,943,747	159,688,681	19,746,852	2,133,722	3,771,037	210,213,272
Additions		-	-	61,650	21,031,232	505,410	86,381	32,923,709	54,608,382
Reclassification	*5*	-	-	-	-	-	-	15,490,746	15,490,746
Disposals		-	-	-	(16,808)	-	(29,500)	-	(46,308)
Balance as at 31 December 2022		**2,310,985**	**618,248**	**22,005,397**	**180,703,105**	**20,252,262**	**2,190,603**	**52,185,492**	**280,266,092**
Accumulated depreciation:									
Balance as at 1 January 2021		-	109,910	17,020,338	106,040,851	17,448,040	1,656,350	-	142,275,489
Charge for the year	*4.1*	-	20,608	786,971	10,138,329	846,291	96,229	-	11,888,428
Disposals		-	-	-	(7,029)	-	-	-	(7,029)
Balance as at 31 December 2021		-	130,518	17,807,309	116,172,151	18,294,331	1,752,579	-	154,156,888
Charge for the year	*4.1*	-	20,609	771,169	14,169,350	602,485	180,335	-	15,743,948
Disposals		-	-	-	(9,359)	-	(29,500)	-	(38,859)
Balance as at 31 December 2022		**-**	**151,127**	**18,578,478**	**130,332,142**	**18,896,816**	**1,903,414**	**-**	**169,861,977**
Net book value:									
As at 31 December 2022		**2,310,985**	**467,121**	**3,426,919**	**50,370,963**	**1,355,446**	**287,189**	**52,185,492**	**110,404,115**
As at 31 December 2021		2,310,985	487,730	4,136,438	43,516,530	1,452,521	381,143	3,771,037	56,056,384

4.1 Deprecation expenses is allocated as follows:

	For the year ended 31 December	
	2022	2021
Operating costs	**13,348,394**	10,234,593
General and administrative expenses	**2,395,554**	1,653,835
Total	**15,743,948**	11,888,428

5. INTANGIBLE ASSETS

	Notes	Software	Capital work-in-progress	Total
Cost:				
Balance as at 1 January 2021		330,629,977	98,779,677	429,409,654
Additions		13,132,730	18,083,658	31,216,388
Reclassification	*4*	-	(34,322,078)	(34,322,078)
Balance as at 31 December 2021		343,762,707	82,541,257	426,303,964
Additions		44,485,993	-	44,485,993
Transfer to Software		38,782,593	(38,782,593)	-
Reclassification	*4*	-	(15,490,746)	(15,490,746)
Balance as at 31 December 2022		**427,031,293**	**28,267,918**	**455,299,211**
Accumulated amortization:				
Balance as at 1 January 2021		249,857,372	-	249,857,372
Charge for the year	*5.1*	31,719,315	-	31,719,315
Balance as at 31 December 2021		281,576,687	-	281,576,687
Charge for the year	*5.1*	34,424,139	-	34,424,139
Balance as at 31 December 2022		**316,000,826**	**-**	**316,000,826**
Net book value as at 31 December 2022		**111,030,467**	**28,267,918**	**139,298,385**
Net book value as at 31 December 2021		62,186,020	82,541,257	144,727,277

5.1 Amortization expense allocation is as follows: .

	For the year ended 31 December	
	2022	2021
Operating costs	**28,247,238**	25,279,866
General and administrative expenses	**6,176,901**	6,439,449
Total	**34,424,139**	31,719,315

6. INVESTMENTS IN ASSOCIATES

	Notes	**31 December 2022**	31 December 2021
Investment in Tadawul Real Estate Company ("TREC ")	6.1	**365,697,523**	375,616,085
Investment in Regional Voluntary Carbon Company ("RVCMC")	6.2	**35,000,000**	-
Total		**400,697,523**	375,616,085

6.1 Investment in TREC

This represents the Group's share of investment in TREC, a company incorporated in the Kingdom of Saudi Arabia, where the Company has significant influence through voting rights. As at 31 December 2022, the Group owns 33.12% (31 December 2021: 33.12%) of the share capital of TREC. The main activities of this associate is to develop a commercial office tower in King Abdullah Financial District, Riyadh, where the Group expects to be headquartered.

The Group has recognized its share of loss for the year ended 31 December 2022, based on the management accounts of the associate.

The movement in carrying value of investment is as follows:

	31 December 2022	31 December 2021
Balance as at 1 January	**375,616,085**	378,895,293
Share of results	**(9,918,562)**	(3,279,208)
Balance as at 31 December	**365,697,523**	375,616,085

The following table summarizes the financial information of the associate as included in the management accounts as at 31 December 2022 and audited financial statements as at 31 December 2021:

	31 December 2022	31 December 2021
Summarized statement of financial position		
Total current assets	**32,825,683**	86,103,297
Total non-current assets	**2,282,712,671**	2,233,751,094
Total current liabilities	**85,461,524**	1,073,045,160
Total non-current liabilities	**1,062,846,629**	49,595,898
Net assets (100%)*	**1,167,230,201**	1,197,213,333

*During the year ended 31 December 2020, the Group has increased its share of investment in TREC from 20% to 33.12% and has recorded its increased share of results from there on. The Group's share in net asset value of TREC if calculated directly from TREC outstanding net asset value has to be adjusted for this transaction to arrive at the carrying amount of investment as presented in the consolidated financial statements of the Group.

	For the year ended 31 December 2022	For the year ended 31 December 2021
Summarized statement of profit or loss and other comprehensive income		
Total revenue	**-**	-
Net loss	**(29,983,133)**	(9,900,948)
Total comprehensive loss for the year	**(29,983,133)**	(9,900,948)

6. INVESTMENT IN ASSOCIATES (CONTINUED)

6.2 Investment in RVCMC

This represents the Group's share of investment in RVCMC, a company incorporated in the Kingdom of Saudi Arabia on 25 October 2022. RVCMC offers guidance and resourcing to support businesses and industries in the region as they play their part in the global transition to net zero, ensuring that carbon credit purchases go above and beyond meaningful emission reductions in value chains. The RVCMC's capital amounts to SAR 500 million (paid up capital SAR 175 million), where PIF holds 80% stake and the Company holds 20% stake. RVCMC is headquartered in Riyadh, Kingdom of Saudi Arabia.

The movement of investment carrying value is as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Investments made during the year	**35,000,000**	-

7. RIGHT-OF-USE ASSETS

	31 December 2022	31 December 2021
Balance as at 1 January	**7,120,394**	19,856,726
Additions	**11,201,872**	672,108
Depreciation charge for the year	**(13,011,821)**	(13,408,440)
Balance as at 31 December	**5,310,445**	7,120,394

8. INVESTMENTS

Investment securities portfolios are summarized as follows:

	Notes	**31 December 2022**	31 December 2021
Non-current			
Investments at amortized cost	*8.1*	**55,809,077**	55,272,377
		55,809,077	55,272,377
Current			
Investments at amortized cost	*8.1*	**-**	101,292,699
Investments at FVTPL	*8.2*	**618,569,219**	2,530,440,109
		618,569,219	2,631,732,808

8.1 Investments at amortized cost:

This represents investment in Sukuks issued by counterparties operating in the Kingdom of Saudi Arabia having sound credit ratings. The Sukuks carry an average commission rate of 4.3% per annum as of 31 December 2022 (31 December 2021: 2.4% - 2.5%).

8. INVESTMENTS (CONTINUED)

The details of these investments are as follow:

	31 December 2022	31 December 2021
Investment in Sukuk – Bank Albilad (Credit rating A3)	**55,809,283**	55,286,298
Investment in Sukuk – GACA (Credit rating A)	**-**	101,325,640
Impairment loss on investments at amortized cost (8.1.1)	**(206)**	(46,862)
Total	**55,809,077**	156,565,076

	31 December 2022	31 December 2021
Investment at amortized cost – non current	**55,809,077**	55,272,377
Investment at amortized cost – current	**-**	101,292,699
Total	**55,809,077**	156,565,076

8.1.1 The movement of the expected credit losses on investments held at amortized cost is summarized as follows:

	31 December 2022	31 December 2021
Balance as at 1 January	**46,862**	43,865
(Reversal) / charge for the year	**(46,656)**	2,997
Balance as at 31 December	**206**	46,862

Below is the break-up of investment at amortized cost:

31 December 2022

Description	Maturity date	Face value	Classification
Bank Albilad SAR Denominated Tier 2	15 April 2031	55,000,000	Non-current asset

31 December 2021

Description	Maturity date	Face value	Classification
General Authority of Civil Aviation (GACA)	18 January 2022	100,000,000	Current asset
Bank Albilad SAR Denominated Tier 2	15 April 2031	55,000,000	Non-current asset

8.2 Investments at fair value through profit or loss ("FVTPL")

This represents investments in units of mutual funds which are governed by the regulation issued by the CMA. The cost and fair value of investments held at FVTPL are as follows:

	31 December 2022		31 December 2021	
	Cost	Fair value	Cost	Fair value
Money market funds	**594,704,109**	**610,812,003**	2,464,606,786	2,499,724,667
Real estate funds	**20,250,000**	**7,757,216**	40,000,000	30,715,442
Total	**614,954,109**	**618,569,219**	2,504,606,786	2,530,440,109

9. ACCOUNTS RECEIVABLE

	Notes	**31 December 2022**	31 December 2021
Accounts receivable:			
- Related parties	*30*	**13,558,085**	11,652,168
- Others		**76,901,108**	74,691,162
Less: allowance for expected credit losses	*9.1*	**(26,110,800)**	(25,795,719)
Total		**64,348,393**	60,547,611

Receivable balances are non-commission bearing and have payment terms ranging from immediate to thirty days.

9.1 The movement in the allowance for expected credit losses is summarized as follows:

	Note	**31 December 2022**	31 December 2021
Balance as at 1 January		**25,795,719**	26,613,594
Charge / (reversal) for the year	*25*	**315,081**	(817,875)
Balance as at 31 December		**26,110,800**	25,795,719

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Note	**31 December 2022**	31 December 2021
Advance against purchase of property	*10.1*	**77,500,000**	77,500,000
Prepaid insurance expenses		**10,997,526**	7,920,038
Accrued operational revenue		**6,589,018**	9,064,755
Advance to employees		**5,020,765**	5,404,641
Prepaid maintenance expenses		**8,064,317**	2,744,593
Other receivables		**7,933,818**	5,425,592
Total		**116,105,444**	108,059,619

10.1 This represents an advance paid to SAMA as partial payment for purchasing part of a property in King Abdullah Financial District.

10.2 Other receivable balances are non-commission bearing and have payment terms ranging from immediate to thirty days.

11. CLEARING PARTICIPANT FINANCIAL ASSETS

Financial assets at amortised cost:	*Notes*	**31 December 2022**	31 December 2021
Deposits with Saudi Central Bank (SAMA)	*11.1*	**3,061,369,467**	18,013,567
Investment in SAMA Bills	*11.2*	**999,308,737**	-
		4,060,678,204	18,013,567

11.1 Deposits with Saudi Central Bank (SAMA):

This represents cash collateral received from clearing participants in the form of initial margin, variation margin and default funds for the equity and derivatives markets. Commission is earned on such deposits at the prevailing market rates offered by SAMA. A portion of the commission is recorded as commission income from SAMA deposits in investment income (refer note 26) by the Group and the clearing members' share of the commission earned is added to their collateral accounts. These funds are not available for use in the operations of the Group.

11. CLEARING PARTICIPANT FINANCIAL ASSETS (CONTINUED)

11.1 Deposits with Saudi Central Bank (SAMA):

	31 December 2022	31 December 2021
Deposits with SAMA - relating to Equities markets	3,030,450,725	-
Deposits with SAMA - relating to Derivatives markets	30,918,742	18,013,567
	3,061,369,467	18,013,567

11.2 Investment in SAMA Bills:

	Note	31 December 2022	31 December 2021
Investment in SAMA Bills	*11.2.1*	999,308,737	-

11.2.1 These represent investment in SAMA Bills from deposits received from clearing participants in the form of initial margin, variation margin and default funds for the equity and derivatives markets. Commission is earned on such Bills at the prevailing market rates offered by SAMA. A portion of the commission is recorded as commission income from SAMA Bills in investment income (refer note 26) by the Group and the clearing members' share of the commission earned is added to their collateral accounts. These funds are not available for use in the operations of the Group.

As of each reporting date, all deposits with SAMA and SAMA Bills are assessed to have low credit risk as these are placed/issued by Government sovereign financial institutions and there has been no history of default with any of the Group's deposit and investments in bills. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

12. CASH AND CASH EQUIVALENTS

	Notes	31 December 2022	31 December 2021
Cash at banks – current accounts		49,821,541	76,197,458
Deposit with SAMA	*12.1*	16,500,000	10,000,000
Time deposits with original maturities equal to or less than three month from the date of acquisition	*12.2*	2,052,504,555	-
		2,118,826,096	86,197,458

12.1 Commission is earned on deposit with SAMA at the prevailing market rates offered by SAMA.

12.2 These time deposits are placed with financial institutions in the Kingdom of Saudi Arabia with original maturities of less than three months. Commission is also earned on these time deposits as per the prevailing market rates.

13. STATUTORY RESERVE

In accordance with the Company's by-law and Saudi Arabian Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to set aside 10% of its net profit each year as statutory reserve. The shareholder in the extraordinary general assembly held on 17th August 2021 has decided to discontinue setting aside such percentage when said reserve reaches 30% of paid-in capital. The Company has reached the required reserve level. The statutory reserve in the consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

14. EMPLOYEES' END-OF-SERVICE BENEFITS LIABILITY

The movement in employees' end-of-service benefits is as follows:

	Note	31 December 2022	31 December 2021
Balance as at 1 January		**96,876,185**	91,024,046
Current service cost		**10,064,443**	9,691,734
Interest cost	27	**2,241,385**	1,738,972
Amount recognised in profit or loss		**12,305,828**	11,430,706
Re-measurement (gain) / loss recognized in other comprehensive income		**(22,650,595)**	9,885,004
Benefits paid during the year		**(6,970,326)**	(15,463,571)
Balance as at 31 December		**79,561,092**	96,876,185

14.1 Re-measurement (gain) / loss recognized in other comprehensive income for the year is as follows:

	31 December 2022	31 December 2021
Effect of changes in financial assumptions	**(24,500,236)**	4,894,755
Effect of changes in demographic assumptions	**7,817,710**	(813,585)
Effect of experience adjustments	**(5,968,069)**	5,803,834
Re-measurement loss recognized in other comprehensive income	**(22,650,595)**	9,885,004

14.2 Principal actuarial assumptions

	31 December 2022	31 December 2021
Discount rate	5.20%	2.40%
Future growth in salary	5.00%	5.00%
Turnover	16%	19.64%
Mortality rate	WHO SA19 - 75%	WHO SA19 - 75%
Demographic assumptions		
Retirement age	60 years	60 years

Discount rate

The discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and estimated term of the post-employment benefit obligations.

Since there is no deep market in Kingdome of Saudi Arabia for government bonds and/or corporate bonds, we have used the yield on US High Quality Market Corporate bonds and US Risk Free Rate and applied a risk premium to arrive at the discount rate.

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 5.00% per annum compound in the long range.

Turnover

The Management assumed the "Heavy" age-wise withdrawal rates. It was assumed that out of the employees that will cease to be employed in a year, other than by normal retirement or death, 90% will be on account of resignation and 10% on account of termination by the Group.

14. EMPLOYEES' END-OF-SERVICE BENEFITS LIABILITY (CONTINUED)

14.3 Maturity profile of the defined benefit liability

	31 December 2022	31 December 2021
Weighted average duration (years)	**5.5**	7.44
Distribution of benefit payments:		
Years	**Amounts**	
1	**9,047,175**	10,945,904
2	**5,505,656**	12,381,424
3	**4,206,431**	9,357,298
4	**5,209,599**	10,147,958
5	**3,976,442**	11,164,260
6-10	**107,481,325**	54,052,359

14.4 Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	31 December 2022		31 December 2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**72,966,365**	**87,168,812**	90,111,785	104,594,878
Future salary growth (1% movement)	**87,504,645**	**72,563,970**	104,397,683	90,137,489
Turnover (10% movement)	**79,103,151**	**80,056,320**	95,377,619	98,395,166
Mortality rate (10% movement)	**79,562,576**	**79,559,602**	96,828,192	96,924,025

14.5 Risks associated with defined benefits plan

Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

15. CLEARING PARTICIPANT FINANCIAL LIABILITIES

Financial liabilities at amortised cost:	*Notes*	31 December 2022	31 December 2021
Collateral from clearing members	*15.1*	**4,027,470,603**	14,386,707
Members' contribution to clearing house funds	*15.2*	**4,304,970**	3,626,642
		4,031,775,573	18,013,349

15.1 The deposits from clearing participants represents amounts received from clearing participants as collateral in lieu of initial margin, variation margin and default funds for the equity and derivatives markets. These deposits are subject to commission, a portion of which is shared and included in the clearing participant financial assets.

15.2 This represents a prefunded default arrangement that is composed of assets contributed by clearing members that may be used by the Group in certain circumstances to cover the losses or liquidity pressure resulting from participant defaults.

16. LEASE LIABILITIES

This represents amount of lease liabilities as per IFRS 16 for the rented offices of the Group. Following are the classification and maturity analysis of lease liabilities:

2022	As at 1 January	Interest	Addition	Payment	As at 31 December
Lease liabilities (Note 32.6)	**982,913**	**130,602**	**11,201,873**	**(12,315,388)**	**-**

2021	As at 1 January	Interest	Addition	Payment	As at 31 December
Lease liabilities (Note 32.6)	13,786,991	956,484	-	(13,760,562)	982,913

17. ACCOUNTS PAYABLE

	Note	31 December 2022	31 December 2021
Trade payables:			
Others		**30,880,997**	6,701,240
Related parties	*30*	**47,878**	84,470
Total		**30,928,875**	6,785,710

Payables are non-commission bearing and are settled on terms ranging from immediate to sixty days.

18. BALANCE DUE TO CAPITAL MARKET AUTHORITY (CMA)

The Group acts as a collection agent on behalf of CMA where their trading commission share is collected and transferred to them on an agreed mechanism. Such portion is not recognized as Group's revenue.

19. DEFERRED REVENUE

	31 December 2022	31 December 2021
Balance as at 1 January	**3,214,902**	3,223,464
Invoiced during the year	**209,652,633**	169,346,097
Recognised as revenue during the year	**(196,145,174)**	(169,354,659)
Balance as at 31 December	**16,722,361**	3,214,902

20. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	31 December 2022	31 December 2021
Accrued employee expenses		**115,362,304**	100,154,729
Payable for General Organization for Social Insurance		**2,079,494**	1,979,001
Value added tax (VAT), net		**457,531**	6,637,535
Board of Directors remuneration payable	*30*	**9,337,500**	8,376,167
Accrued supplier expenses:			
- Related party	*30*	**11,836,063**	10,296,790
- Others		**125,699,083**	108,640,852
Total		**264,771,975**	236,085,074

Other payables and statutory dues are non-commission bearing and are settled on terms ranging from immediate to sixty days.

21. ZAKAT PROVISION

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base primarily includes equity components, net income and liabilities reduced by non-current assets as adjusted for zakat purpose.

The movements in zakat provision are as follows:

	31 December 2022	31 December 2021
Balance as at 1 January	**66,663,698**	83,561,274
Provision for Zakat for the year		
- Current period	**67,221,868**	66,663,698
- Prior year under / (over) provision	**468,544**	(440,338)
	67,690,412	66,223,360
Zakat paid during the year	**(67,132,242)**	(83,120,936)
Balance as at 31 December	**67,221,868**	66,663,698

The Group has already filed and paid its consolidated Zakat return for the year ended 31 December 2021 with ZATCA, however, the 2021 and 2020 Zakat assessment is pending finalization. The Group is yet to file its consolidated Zakat return for the Company and its wholly-owned subsidiaries with ZATCA for year 2022.

Zakat base:	31 December 2022	31 December 2021
Share capital	**1,200,000,000**	1,200,000,000
Statutory reserve	**360,000,000**	376,963,633
General reserve	**-**	1,114,180,214
Retained Earnings	**1,532,440,906**	943,478,532
Dividends Paid	**(360,000,000)**	(1,120,000,000)
Liabilities and provisions	**118,916,480**	105,554,009
Non-current assets	**(733,210,468)**	(661,020,140)
Zakat base	**2,118,146,918**	1,959,156,248
Zakat %	**2.5777**	2.5777
	54,599,126	50,501,171
Adjusted profit	**504,909,646**	646,513,937
Zakat %	**2.5**	2.5
	12,622,741	16,162,848
Zakat charge for the year	**67,690,412**	66,223,360

22. OPERATING REVENUE

	For the year ended 31 December	
	2022	2021
Revenue recognized over-time		
Post trade services	**150,878,440**	130,980,297
Data and technology services	**100,185,561**	93,264,708
Listing services	**81,431,485**	72,268,151
Membership fees	**4,061,813**	3,224,364
Derivatives services	**1,340,310**	1,218,732
	337,897,609	300,956,252
Services transferred at point-in-time		
Post trade services	**411,118,916**	450,070,677
Trading services	**310,593,521**	406,818,320
Listing services	**11,737,696**	8,211,800
Membership fees	**46,800**	-
Derivatives services	**35,116**	23,091
	733,532,049	865,123,888
Revenue from contracts with customers	**1,071,429,658**	1,166,080,140

The Group acts as a collection agent on behalf of CMA where their trading commission share is collected and transferred to them on an agreed mechanism. Such portion is not recognized as Group's revenue.

All of the Group's revenue is generated within the Kingdom of Saudi Arabia.

23. OPERATING COSTS

Operating costs include direct expenses incurred by the Group to provide services to its customers and the Saudi financial market. A breakdown of operating costs is as follows:

	Note	For the year ended 31 December	
		2022	2021
Salaries and related benefits		**152,498,856**	128,876,587
CMA fees	*23.1*	**122,000,000**	101,000,000
Technology and network		**52,266,516**	51,919,710
Depreciation and amortization		**46,794,946**	41,491,077
Consultancy		**6,175,826**	1,569,603
Accommodation and utilities		**4,251,774**	4,714,370
Others		**3,737,996**	2,215,391
Total		**387,725,914**	331,786,738

23.1 This represents fees payable to the CMA in relation to services provided to the Group in accordance with the council of CMA resolution no. (17/268/6) dated 18 January 2017 and the CMA Board decision no. (3-2-2020) dated 7 January 2020.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022	2021
Salaries and related benefits	**154,104,067**	139,138,145
Technology and network	**14,865,628**	17,234,835
Depreciation and amortization	**16,384,962**	14,568,623
Consultancy	**27,961,212**	16,364,627
Marketing and public relations	**22,827,937**	16,551,195
Accommodation and utilities	**7,095,481**	6,536,733
Board of Directors' remuneration	**9,512,309**	8,388,667
Others	**3,565,961**	2,752,526
Total	**256,317,557**	221,535,351

25. ALLOWANCE / (REVERSAL) FOR EXPECTED CREDIT LOSSES

	Notes	For the year ended 31 December	
		2022	2021
(Reversal) / allowance on investment at amortised cost	*8*	**(46,656)**	2,997
Allowance / (reversal) on accounts receivable	*9*	**315,081**	(817,875)
Total		**268,425**	(814,878)

26. INVESTMENT INCOME

	For the year ended 31 December	
	2022	2021
Commission income on time deposits	**21,674,617**	-
Realised gain on sale investments, net	**17,707,501**	8,826,153
Commission income on SAMA Bills, net	**13,123,801**	-
Unrealised gain on investments, net	**8,722,423**	22,134,258
Commission income on SAMA deposits, net	**5,642,476**	13,601
Dividend income	**5,513,917**	6,103,257
Commission income on investment at amortised cost	**2,339,517**	3,519,005
Total	**74,724,252**	40,596,274

27. FINANCE COSTS

	Notes	For the year ended 31 December	
		2022	2021
Finance cost on employees' end-of-service benefits liabilities	*14*	**2,241,385**	1,738,972
Finance expense on lease liabilities	*16*	**130,602**	956,484
Total		**2,371,987**	2,695,456

28. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing profit attributable to the ordinary shareholders of the Company by the weighted average outstanding number of shares for the year ended 31 December 2022, totaling 120 million shares (31 December 2021: 120 million shares).

	For the year ended 31 December	
	2022	2021
Net profit for the year	**424,598,326**	587,703,531
Weighted average outstanding number of shares	**120,000,000**	120,000,000
Earnings per share	**3.54**	4.90

29. CONTINGENCIES AND COMMITMENTS

Commitments

29.1 Commitments represent the value not yet executed supply contracts of assets and services to the Group as follows:

	31 December 2022	31 December 2021
Capital expenditure commitments	**25,368,036**	87,143,300
Operating expenditure commitments	**37,654,733**	26,022,315
	63,022,769	113,165,615

29.2 On 18 Muharram 1444H corresponding to 16 August 2022, the Group's subsidiary Wamid has entered into a non-binding preliminary agreement with Direct Financial Network Company LLC and its indirect majority shareholder National Technology Group in order to begin the due diligence process and to negotiate the definitive agreements in relation to the potential acquisition of 51% of the issued capital of DFNC from its direct and indirect shareholders.

On 30 Jumada Al-Awwal 1444H corresponding to 24 November 2022, the Group singed a sale and purchase agreement between Group's subsidiary Wamid and National Two Ventures, which currently holds 99% of the share capital of DFNC for the acquisition of 51% of the issued share capital of DFNC. As at 31 December 2022, the acquisition has not been completed.

29.3 During the year end 31 December 2022, the Company entered into a short-term revolving financing facility agreement of SR 28 million to as part of business continuity and contingency liquidity planning. There has been no drawdown against the facility as of 31 December 2022.

Contingencies

		31 December 2022	31 December 2021
29.4	Letters of guarantee	**1,147,940**	1,147,940

29.5 The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Group's financial position or on the results of its operations as reflected in these consolidated financial statements.

30. TRANSACTIONS WITH RELATED PARTIES

During the ordinary course of business, the Company enters into transaction with its related parties. These related parties include:

A) Parent as explained in Note 1;
B) Other related parties that include entities which have either common directors with the Company's BOD and / or owned by Parent and / or have common directors with the BOD of Parent;
C) Associate companies, refer Note 1.2 for details; and
D) Key Management that includes the Company's Board of Directors (BOD) and key executives

30.1 Following are the total amount of transactions that have been entered into during the year ended 31 December with the related parties:

		For the year ended 31 December	
	Notes	**2022**	2021
Parent			
Operating revenue from services rendered		**1,687,500**	-
Other related parties			
Operating revenue from services rendered		**295,642,580**	313,005,869
Commission income		**1,383,952**	-
Purchase of services (internet , utilities and others)		**14,746,203**	9,039,557
(Disposals) / purchase of investments at FVTPL		**(336,047,091)**	(803,923,117)
Associates			
Tadawul Real Estate Company – Share of results	*6*	**(9,918,562)**	(3,279,208)
Investment in RVCM	*6*	**35,000,000**	-
Key management personnel compensation			
Salaries and other short-term benefits		**23,845,710**	20,029,241
Post-employment benefits		**2,124,919**	3,547,953
Board of Directors' remuneration		**9,512,309**	8,388,667

Operating revenue from services rendered by the Company to the related parties included services of post trade, trading, listing, data and technology services, derivative and membership. The Company also paid dividends during the year to the shareholder of the Company.

30.2 Following are the outstanding balances arising from related party transactions as at 31 December:

	Notes	**31 December 2022**	31 December 2021
Parent			
Accounts receivable	*9*	**-**	-
Other related parties			
Investments held at FVTPL	*8.2*	**13,720,906**	345,367,216
Accounts receivable	*9*	**13,558,085**	11,652,168
Less: ECL allowance	*9.1*	**(780,298)**	(157,684)
Accounts receivable, net		**12,777,787**	11,494,484
Accrued expenses and other liabilities	*17,19,20*	**18,102,697**	10,726,815
Cash and cash equivalents	*12*	**804,234,649**	-
Clearing participant financial liabilities	*15*	**866,246,957**	-
Associates			
Accounts receivable - Tadawul Real Estate Company	*9*	**538,071**	486,715
Key management personnel			
Board of Directors remuneration payable	*20*	**9,337,500**	8,376,167

Outstanding balances at year end arise in in normal course of business. These balances are unsecured, commission free and are recoverable / payable on terms ranging from immediate to thirty days.

31. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business segments based on services provided. The reportable segments of the Group are:

Capital markets
The activities of this segment include trading commission for securities and derivative markets, admission fees from initial listing and further capital raises, annual fees charged for securities traded on the Group's markets and fees from secondary market services.

Post-trade
The activities of this segment include registration of investment portfolios in the filing and settlement system, register and file its ownership, transfer, settlement, clearing and safekeeping its ownership, registering any restriction of ownership on the file securities, and associate with members of the market and settlement agents to filing and settlement system. Furthermore, linking and managing records of securities issuers, organizing general assemblies for issuers including remote voting service for such assemblies, providing reports, notifications and information in addition to providing any other service relating to its activities according to financial market regulations.

Data and technology services
The activities of this segment are to grow the business of Data and Technology Services which includes offering high-quality real-time trading data, reference data, market indices, financial information to the financial community, financial technology solutions, research & development in the field of engineering & technology and innovative capital market solutions for stakeholders.

Corporate
Corporate manages future corporate development and controls all treasury related functions. All investments are incubated within this category, which also comprises managing strategy for business development, legal, finance, operations, information technology , human resources and customer relations management.

31.1 Financial information relating to operating segments:

31 December 2022	Capital markets	Data and technology services	Post- trade	Corporate	Total
Segment revenue	406,543,274	100,185,561	564,700,823	-	1,071,429,658
Segment costs excluding depreciation and amortization	(174,194,091)	(47,341,732)	(333,000,172)	(26,588,818)	(581,124,813)
Depreciation and amortization	(19,245,048)	(3,299,955)	(32,839,487)	(7,802,593)	(63,187,083)
Investment income	-	-	-	74,724,252	74,724,252
Share of results of associates	-	-	-	(9,918,562)	(9,918,562)
Finance costs	-	-	-	(2,371,987)	(2,371,987)
Other income, net	-	-	-	2,737,273	2,737,273
Profit before Zakat	213,104,135	49,543,874	198,861,164	30,779,565	492,288,738
Zakat provision	-	-	-	(67,690,412)	(67,690,412)
Profit after Zakat	213,104,135	49,543,874	198,861,164	(36,910,847)	424,598,326

31. SEGMENT INFORMATION (CONTINUED)

31.1 Financial information relating to operating segments (continued):

31 December 2021	Capital markets	Data and technology services	Post- trade	Corporate	Total
Segment revenue	489,841,483	93,264,708	582,973,949	-	1,166,080,140
Segment cost excluding depreciation and amortization	(145,719,959)	(29,818,269)	(296,500,837)	(22,284,408)	(494,323,473)
Depreciation and amortization	(24,267,966)	(3,584,419)	(26,425,184)	(3,906,169)	(58,183,738)
Investment income	-	-	-	40,596,274	40,596,274
Share of results of associates	-	-	-	(3,279,208)	(3,279,208)
Finance costs	-	-	-	(2,695,456)	(2,695,456)
Other income, net	-	-	-	5,732,352	5,732,352
Segment profit before Zakat	319,853,558	59,862,020	260,047,928	14,163,385	653,926,891
Zakat	-	-	-	(66,223,360)	(66,223,360)
Segment profit after Zakat	319,853,558	59,862,020	260,047,928	(52,059,975)	587,703,531

31.2 Operating revenue by operating segments

31 December 2022	Capital markets	Data and technology services	Post- trade	Total
Revenue recognised at a point-in-time				
Trading services	**310,593,521**	**-**	**-**	**310,593,521**
Post trade services	**-**	**-**	**411,118,916**	**411,118,916**
Listing services	**11,737,696**	**-**	**-**	**11,737,696**
Derivatives market	**10,372**	**-**	**24,744**	**35,116**
Membership fess	**46,800**	**-**	**-**	**46,800**
Revenue recognised over-time				
Data and technology services	**-**	**100,185,561**	**-**	**100,185,561**
Post trade services	**-**	**-**	**150,878,440**	**150,878,440**
Listing services	**81,431,485**	**-**	**-**	**81,431,485**
Derivatives market	**1,038,409**	**-**	**301,901**	**1,340,310**
Membership fees	**1,684,991**	**-**	**2,376,822**	**4,061,813**
Consolidated revenue	**406,543,274**	**100,185,561**	**564,700,823**	**1,071,429,658**

31 December 2021	Capital markets	Data and technology services	Post- trade	Total
Revenue recognised at a point-in-time				
Trading services	406,818,320	-	-	406,818,320
Post trade services	-	-	450,070,677	450,070,677
Listing services	8,211,800	-	-	8,211,800
Derivatives markets	4,311	-	18,780	23,091
Revenue recognised over-time				
Data and technology services	-	93,264,708	-	93,264,708
Post trade services	-	-	130,980,297	130,980,297
Listing services	72,268,151	-	-	72,268,151
Derivatives markets	934,701	-	284,031	1,218,732
Membership fees	1,604,200	-	1,620,164	3,224,364
Consolidated revenue	489,841,483	93,264,708	582,973,949	1,166,080,140

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks from its activities and use of financial instruments:

- Market risk;
- Credit risk;
- Operational risk; and
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for measuring and managing these risks. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for approving the Group's risk management policies. Furthermore, the Risk Management Committee is responsible for overseeing the effective implementation of the risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits & controls, and to monitor risks & adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training, management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management structure
A cohesive organisational structure is established within the Group in order to identify, assess, monitor and control risks.

Board of Directors
The apex of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management
Senior management is responsible for the day to day operations in respect of achieving the strategic goals within the Group's pre-defined risk appetite.

In order to manage the Group's Clearing services activities risks, the Group through one of its subsidiary (Muqassa) has an integrated and comprehensive risk management system and ensures that its risk management framework identifies, measures, monitors and manages the risks that it bears from Clearing Members as well as other key institutions. Group has as a low risk appetite for financial, liquidity, operational, market and credit concentration risk. This appetite helps drive the setting of conservative values when deciding on key measures such as the Default Fund Cover or Investment Duration. These risk management policies, procedures, systems and controls have been developed to adhere to the CMA's Securities Central Counterparties Regulation as well as align to both CPMI-IOSCO's Principles for Financial Market Infrastructures (PFMIs) and international best practices.

The risks faced by the Group and the way these risks are mitigated by management are summarised below:

32.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. Market risk reflects price risk, currency risk and commission rate risk.

Price risk
Price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices (other than risk arising from commission rate and foreign currency). The Group believes price risk does not arise for the Group based on the investment portfolio held.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

32.1 Market risk (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group is not exposed to currency risk and it did not undertake significant transactions in currencies other than Saudi Arabian Riyals.

Commission rate risk

Commission risk is the exposure to multiple risks related to the impact of changes in commission rates in the market on the Group's financial position and cash flows. The Group monitors the fluctuations in commission rates and believes that the impact of the risk is on certain financial instruments held by the Group.

A 1% change in the commission rates, with all other variables held constant, would impact the consolidated statement of profit or loss and other comprehensive income as set out below:

	For the year ended 31 December	
	2022	2021
Effect on profit for the period	**(+/-) 35,315,677**	(+/-) 26,890,673

32.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's accounts receivables from customers, cash at banks, time deposits and investment in debt securities.

The below schedule shows the maximum limit for exposure to credit risk of the consolidated statement of financial position elements:

	31 December 2022	31 December 2021
Investments at amortized cost	**55,809,077**	156,565,076
Advance for purchase of property	**77,500,000**	77,500,000
Cash and cash equivalents	**2,118,826,096**	86,197,458
Accounts receivable	**64,348,393**	60,547,611
Accrued operational revenue	**6,589,018**	9,064,755
Other receivables	**7,933,818**	5,425,592
Advance to employees	**5,020,765**	5,404,641
Total	**2,336,027,167**	400,705,133

Cash and cash equivalents

The Group keeps its surplus funds with banks having sound credit ratings. Currently the surplus funds are kept with banks that have ratings as follows:

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

32.2 Credit risk (continued)

Current accounts

	STANDARD & POOR		Moody's		Fitch	
Bank name	Long term	Short term	Long term	Short term	Long term	Short term
SABB	-	-	A1	P-1	BBB+	F2
SNB	A-	A-2	A1u	P-1u	A-	F1

Time deposit

	STANDARD & POOR		Moody's		Fitch	
Bank name	Long term	Short term	Long term	Short term	Long term	Short term
SABB	-	-	A1	P-1	BBB+	F2
SNB	A-	A-2	A1u	P-1u	A-	F1
Alinma Bank	-	-	-	-	BBB+	F2
ANB	BBB+	A-2	A1	P-1	BBB+	F2
SAIB	BBB	A-2	A2	P-1	BBB+	F2

Investments at amortized cost

This represents investments in sukuks issued by counter parties operating in the Kingdom of Saudi Arabia having sound credit ratings as disclosed in note 8.

Accounts receivable

Accounts receivable are shown net of the allowance for expected credit losses. The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, account receivables have been grouped based on the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Accrued operational revenue

Accrued operating revenue represents earned revenue which is yet to be billed to customers. These are short-term in nature and no significant credit risk exists in the balance.

Advance to employees

This represents advances provided to employees on their request. Such advances are deducted from their monthly salaries. Therefore, no significant credit risk exists in the balance.

Advance for purchase of property

The Group is in the process of acquiring the second floor of the data center in the King Abdullah Financial District in Riyadh (the "Data Centre") for the purposes of its operations. The payment is made to SAMA which is the central bank of Kingdom of Saudi Arabia. Hence no significant credit risk exists.

Other receivables

Other receivables represent receivables from low credit risk counterparties and are short-term in nature.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

32.3 Concentration of credit risk

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2022.

	Weighted average loss rate %	**Gross carrying amount**	**Loss allowance**
0-30 days (not past due)	**5.32**	**38,500,808**	**2,047,362**
30-60 days	**16.61**	**1,571,384**	**260,961**
61-90 days	**17.43**	**773,297**	**134,770**
91-120 days	**15.75**	**238,742**	**37,593**
121-180 days	**30.26**	**507,197**	**153,457**
181-360 days	**25.21**	**1,573,163**	**396,595**
More than 360 days past due	**48.80**	**47,294,602**	**23,080,062**
		90,459,193	**26,110,800**

The following table provides information about the exposure to credit risk and expected credit losses for receivables as at 31 December 2021:

	Weighted average loss rate %	**Gross carrying amount**	**Loss allowance**
0-30 days (not past due)	0.01	34,934,306	4,343
30-60 days	1.07	1,238,314	13,222
61-90 days	1.87	500,119	9,361
91-120 days	3.73	446,877	16,662
121-180 days	15.08	857,750	129,380
181-360 days	51.07	40,145,024	20,500,343
More than 360 days past due	62.31	8,220,940	5,122,408
		86,343,330	25,795,719

32.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology & infrastructure and from external factors other than credit, market & liquidity risks such as those arising from legal & regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The adequacy and effectiveness of the governance of the Group and its subsidiaries, as well as risk management and internal controls, are examined and evaluated through the implementation of periodic internal audit tasks by the internal audit department. All internal audit reports are discussed with the concerned department and all these reports are submitted and presented to the audit committees and senior management of the Group and its subsidiaries.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

32.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The below schedule shows an analysis of financial assets and liabilities based on the contractual maturities:

	31 December 2022				31 December 2021			
	Carrying amount	Less than 12 months	More than 12 months	Total	Carrying amount	Less than 12 months	More than 12 months	Total
Financial assets at fair value:								
Investments	**674,378,296**	**618,569,219**	**55,809,077**	**674,378,296**	2,687,005,185	2,631,732,808	55,272,377	2,687,005,185
Financial assets at amortised cost:	**-**							
Cash and cash equivalents	**2,118,826,096**	**2,118,826,096**	**-**	**2,118,826,096**	86,197,458	86,197,458	-	86,197,458
Clearing participant financial assets	**4,060,678,204**	**4,060,678,204**	**-**	**4,060,678,204**	18,013,567	18,013,567	-	18,013,567
Account receivables	**64,348,393**	**64,348,393**	**-**	**64,348,393**	60,547,611	60,547,611	-	60,547,611
Accrued operational revenue	**6,589,018**	**6,589,018**	**-**	**6,589,018**	9,064,755	9,064,755	-	9,064,755
Advance to employees	**5,020,765**	**5,020,765**	**-**	**5,020,765**	5,404,641	5,404,641	-	5,404,641
Advance for purchase of property	**77,500,000**	**77,500,000**	**-**	**77,500,000**	77,500,000	77,500,000	-	77,500,000
Other receivables	**7,933,818**	**7,933,818**	**-**	**7,933,818**	5,425,592	5,425,592	-	5,425,592
Total financial assets	**7,015,274,590**	**6,959,465,513**	**55,809,077**	**7,015,274,590**	2,949,158,809	2,893,886,432	55,272,377	2,949,158,809
Financial liabilities at amortised cost				**-**				
Clearing participant financial liabilities	**4,031,775,573**	**4,031,775,573**	**-**	**4,031,775,573**	18,013,349	18,013,349	-	18,013,349
Lease liability	**-**	**-**	**-**	**-**	982,913	982,913	-	982,913
Accounts payable	**30,928,875**	**30,928,875**	**-**	**30,928,875**	6,785,710	6,785,710	-	6,785,710
Balance due to Capital Market Authority	**19,375,330**	**19,375,330**	**-**	**19,375,330**	22,280,843	22,280,843	-	22,280,843
Accrued expenses and other current liabilities	**264,771,975**	**264,771,975**	**-**	**264,771,975**	236,085,074	236,085,074	-	236,085,074
Total financial liabilities	**4,346,851,753**	**4,346,851,753**	**-**	**4,346,851,753**	284,147,889	284,147,889	-	284,147,889
Net financial assets	**2,668,422,837**	**2,612,613,760**	**55,809,077**	**2,668,422,837**	2,665,010,920	2,609,738,543	55,272,377	2,665,010,920

As at 31 December 2022 and 2021, undiscounted liabilities are repayable within 12 months from the reporting date.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

32.6 Changes in liabilities arising from financing activities

	As at 1 January	Cash flows			As at 31 December
	2021	Receipts	Payments	Others	2022
Lease liabilities	**982,913**	**-**	**(12,184,785)**	**11,201,872**	**-**
	982,913	**-**	**(12,184,785)**	**11,201,872**	**-**

	As at 1 January	Cash flows			As at 31 December
	2021	**Receipts**	**Payments**	**Others**	**2021**
Lease liabilities	13,786,991	-	(12,804,078)	-	982,913
	13,786,991	-	(12,804,078)	-	982,913

32.7 Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Equity comprises capital, statutory reserve and retained earnings, and is measured at SAR 3,179,689,827 as at 31 December 2021 (2020: SAR 3,092,440,906).

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group 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 Group 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 prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date
- Level 2: Inputs other than quoted prices 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).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The fair value of all other / remaining financial assets and financial liabilities not mentioned below approximates to their carrying values.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments at FVTPL classified as level 2 include units of mutual funds, the fair value of which is determined based on the latest reported net assets value (NAV) as at the date of consolidated statement of financial position.

			31 December 2022		
			Fair value		
	Carrying Value	Level 1	Level 2	Level 3	Total fair value
Investments – at FVTPL					
- Money market funds	**610,812,003**	**-**	**610,812,003**	**-**	**610,812,003**
- Real estate funds	**7,757,216**	**-**	**7,757,216**	**-**	**7,757,216**

			31 December 2021		
			Fair value		
	Carrying Value	Level 1	Level 2	Level 3	Total fair value
Investments – at FVTPL					
- Money market funds	2,499,724,667	-	2,499,724,667	-	2,499,724,667
- Real estate funds	30,715,442	-	30,715,442	-	30,715,442

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements for the year ended 31 December 2022 (31 December 2021: Nil).

34. SUBSEQUENT EVENTS

There is no event subsequent to the period which requires disclosure in these consolidated financial statements. There is no event subsequent to the period which required any adjustment in the consolidated financial statements.

35. DIVIDEND

The Board of Directors of the Company in their meeting on 5 March 2022 recommended the General Assembly which approved the distribution of dividends on 12 May 2022 to the shareholders for the fiscal year ended 31 December 2021 with a total amount of 360 million Saudi Riyals, equivalent to 3 Saudi Riyals per share representing 30% of the share par value, provided that the dividend eligibility shall be to the Shareholders who own the Company's shares and registered in the Company's register at the Securities Depository Center Company (Edaa) by the end of the second trading day following the date of the Company's General Assembly (the "Eligibility Date"), and the date of the dividend distribution shall be within fifteen days from the Eligibility Date.

During the year ended 31 December 2021, the Board of Directors of the Company in their meeting dated 18 May 2021 recommended the declaration of dividends amounting to SR 120 million to the PIF which was approved in their fourteenth Ordinary General Assembly held on 02 June 2021 and payment was made.

On 24 June 2021, the Board of Directors of the Company recommended declaration of an additional dividends amounting to SR 1,000 million to the PIF. In their Fifteenth Extra Ordinary General Assembly held on 28 June 2021, PIF approved the dividends declaration and payment was made.

On 25 February 2023, the Board of Directors of the Company recommended dividends to the shareholders for the fiscal year ended 31 December 2022 with a total amount of 277,130,872 Saudi Riyals, equivalent to Saudi Riyals 2.31 per share representing 23.1% of the share par value subject to the approval of the shareholders in the General Assembly of the Company.

36. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the current year presentation.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 5 Sha'aban 1444H corresponding to 25 February 2023.