

BlackRock Saudi Arabia

(A Saudi Closed Joint Stock Company)

Annual Report and Financial Statements
with Independent Auditor's Report

for the Year Ended 31 December 2022

BlackRock Saudi Arabia

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BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022

The Board of directors ("the Board") presents its business report together with the audited financial statements of BlackRock Saudi Arabia (the "Company") for the year ended 31 December 2022.

Principal activity

Since 2018, the Company has been licenced to conduct securities arranging and advising services, pursuant to the Saudi Arabian General Investment Authority ("SAGIA") licence number 10211391284420 dated 5 Thul-Hijja 1439H (16 August 2018) and the Capital Market Authority ("CMA") licence number 18-192-30 dated 4 Thu-Qida 1439H (17 July 2018). On 17th February 2022, it received an additional licence to manage investment funds and client portfolios.

Dividends

No dividends were paid in the year ended 31 December 2022 (2021: SAR nil).

Directors of the Company

The directors, who held office during the year, were as follows:

M Al Issa

H E Sulaiman Algwaiz - Chairman of the Board (appointed 17 February 2022)

Y Almubarak

T Mahmoud (appointed 17 February 2022)

A Talhaoui

N J Charrington - Chairman of the Board (resigned 17 February 2022)

L E Sadler (resigned 17 February 2022)

Members of the Audit Committee

N J Charrington

L E Sadler

A Talhaoui

Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the annual report and financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as endorsed in the Kingdom of Saudi Arabia have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with local legislation and IFRS. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Corporate strategy

The Company is part of BlackRock, Inc. ("BlackRock" or "the Firm"), a leading publicly traded investment management firm with \$8.6tn (2021: \$10.01tn) of assets under management ("AUM") as at 31 December 2022. With approximately 19,800 employees in more than 30 countries who serve clients in over 100 countries, BlackRock provides a broad range of investment management and technology services to institutional and retail clients worldwide.

Corporate strategy is developed and reviewed at a global and regional level. This business report will therefore focus on both global and regional industry trends and areas of strategic focus, while relating them to the services that the Company provides.

Purpose

BlackRock's purpose is to help more and more people experience financial well-being. BlackRock's clients, and the people they serve, are saving for retirement, paying for their children's educations, buying homes and starting businesses. Their investments are also helping to strengthen the global economy: support businesses small and large; finance infrastructure projects that connect and power cities; and facilitate innovations that drive progress. BlackRock is committed to advancing:

- *Financial wellbeing*: helping millions of people invest to build savings that serve them throughout their lives;
- *Investment access*: making investing easier and more affordable;
- *Sustainable outcomes*: advancing sustainable investing because the group believes it delivers better outcomes for investors; and
- *Inclusive economies*: contributing to a more resilient economy that benefits more people.

Industry profile

Global

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Firm to offer choice and tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® and BlackRock exchange-traded funds ("ETFs"), separate accounts, collective trust funds and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, *Aladdin*®, *Aladdin Wealth*, *eFront*®, and *Cachematrix*, as well as advisory services and solutions to a broad base of institutional and wealth management clients. BlackRock is highly regulated and manages its clients' assets as a fiduciary. It does not engage in proprietary trading activities that could conflict with the interests of clients.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

BlackRock serves a diverse mix of institutional and retail clients across the globe, including investors in ETFs, maintaining differentiated client relationships and a fiduciary focus. The Firm's highly diversified multi-product platform was created to meet client needs in all market environments and provide clients with choice in how they seek to achieve their unique financial goals. BlackRock is positioned to provide alpha-seeking active, index and cash management investment strategies across asset classes and geographies. In addition, BlackRock leverages its world-class risk management, analytics and technology capabilities, including the *Aladdin* platform, on behalf of clients. The diversity of BlackRock's platform facilitates the generation of organic growth in various market environments, and as client preferences evolve. BlackRock's long-term strategy remains to keep alpha at the heart of BlackRock; accelerate growth in ETFs, illiquid alternatives, and technology; deliver whole portfolio solutions and become the global leader in sustainable investing.

As the asset management landscape shifts globally from individual product selection to a whole-portfolio approach, BlackRock's strategy is focused on creating outcome-oriented client solutions for both retail investors and institutions. This includes having a diverse platform of alpha-seeking active, index and alternative products, as well as enhanced distribution and portfolio construction technology offerings. Digital wealth tools are an important component of BlackRock's retail strategy, as BlackRock scales and customises model portfolios, extends Aladdin Wealth and digital wealth partnerships globally, and helps advisors build better portfolios through portfolio construction and risk management, powered by *Aladdin*. BlackRock has seen strong momentum in outsourcing solutions among institutional clients, including the funding of several significant mandates in 2022, and anticipates continued outsourcing opportunities in the future.

Across BlackRock, many clients are focusing on the impact of sustainability factors on their portfolios. This shift has been driven by an increased understanding of how sustainability-related factors can affect economic growth, asset values, and financial markets as a whole. As a fiduciary, BlackRock is committed to providing clients with choice and then executing in accordance with their chosen objectives. BlackRock's longstanding model of choice helps clients build portfolios to match the preferences and goals unique to each of them; for some clients this includes investing in sustainable strategies.

Regional

On a regional basis, BlackRock in Europe Middle East and Africa ("EMEA") managed \$2.1tn (2021: \$2.7tn) of AUM for its clients as at 31 December 2022. This generated \$5.2bn of revenue from a diversified client base and product range, with EMEA representing 29% of BlackRock's base fees and securities lending revenue in 2022. Growth in the region in 2022 was driven by fixed income and alternatives net inflows.

Areas of strategic focus

The Company, as part of the global group, seeks to deliver value for shareholders over time by, among other things, capitalising on BlackRock's differentiated competitive position, including:

- BlackRock's longstanding model of client choice, through which it offers a wide range of index, active, and whole portfolio solutions across broad markets, themes, regions, and investment styles;
- BlackRock's focus on strong investment performance, seeking the best risk-adjusted returns for client portfolios, within the mandates given by clients, to help them meet their investment objectives;
- BlackRock's research, data and analytics, which are at the centre of BlackRock's investment approach and processes. They inform BlackRock's pursuit of the best risk-adjusted returns, and underpin product creation and innovation;
- BlackRock's global reach and commitment to best practices around the world, with approximately 50% of employees outside the United States serving clients locally and supporting local investment capabilities. Approximately 40% of total AUM is managed for clients domiciled outside the United States;

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and industry trends including the secular shift to index investing and ETFs, growing allocations to private markets, increasing demand for outsourcing, anticipated re-allocations to fixed income, demand for high-performing active strategies, interest in sustainable investment strategies and whole portfolio solutions using index, active and illiquid alternatives products; and a continued focus on income and retirement; and
- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including *Aladdin*, *Aladdin Wealth*, *eFront*, and *Cachematrix*. This commitment is further extended by minority investments in financial technology and digital distribution providers, data and whole portfolio capabilities including Human Interest, Circle, Envestnet, Scalable Capital, iCapital, Acorns, and Clarity AI.

Business Review

As noted under the principal activity section above, during the year our licence was extended. This is expected to attract strategic partnerships with the government and corporations in Saudi Arabia, diversify services through BlackRock managed solutions and open additional distribution channels on the sales and distribution front to grow AUM.

Throughout the reporting period, the Company has continued to focus on expanding its local client base and increased the number of employees to support growth in the business.

Key performance indicators

Gross profit

The Company's gross profit increased by 87% in 2022 to SAR 44.5m compared to SAR 23.8m in 2021. This is primarily due to an increase in advisory fee revenue of SAR 27.7m offset by an increase in cost of sales of SAR 6.4m.

Administrative expenses

Administrative expenses increased by 129% to SAR 33.2m in 2022 from SAR 14.5m in 2021. This is primarily due to an increase in employee related costs as a result of Company growth.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness.

The Board has considered a number of potential risks and uncertainties affecting the Company's business in conducting securities arranging and advisory services and managing investments and operating funds activities and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Board on an ongoing basis.

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually.

Actions taken by the Board to manage and mitigate the Company's principal risks and uncertainties are set out as follows:

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Market risk

Risk description: market risk represents the risk that a significant market downturn will impact the Company's fee revenue or the value of assets held on the statement of financial position. As the Company does not undertake trading on its own account, market risk is the risk associated with failure to realise the full value of the Company's assets and liabilities as a result of fluctuations in foreign exchange ("FX") rates.

Risk mitigation: market risk to revenue is regularly monitored to reflect any changes in revenue drivers and market conditions. Market risk to revenue is mitigated via the Company's business model. Market risk's impact on the statement of financial position is regularly monitored by the Treasury and Finance teams to reflect any changes in the statement of financial position and composition.

Credit risk

Risk description: credit risk is the risk that a counterparty to the Company defaults or deteriorates in creditworthiness before the final settlement of a corporate transaction or other credit obligation. Credit risk exposure may also occur through the normal course of business from client fee receivables (which may not be paid) and from the investment of corporate cash.

Risk mitigation: the Company minimises its exposure by actively pursuing settlement of outstanding invoices within the terms and conditions of the underlying agreements. Intercompany balances are managed centrally and are settled on a regular basis. The Treasury and Risk and Quantitative Analysis departments continuously monitor the creditworthiness of HSBC, the Company's main corporate bank.

Capital adequacy

Risk description: capital adequacy risk is the risk that the Company has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

Risk mitigation: the Company is subject to certain regulatory capital requirements, which require the Company to maintain capital to support certain parts of its regulated business activities. The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to satisfy the requirements of its regulators; and
- to maintain financial strength to support new business growth.

The Company is subject to a minimum regulatory capital requirement imposed by the CMA. In order to ensure compliance with this requirement throughout the year and to fund continued business expansion and development, a surplus was maintained throughout the year as deemed appropriate by the Board.

The Company has made no significant changes to its policies and processes in respect of its capital structure during the year. The Company's policy is to maintain an appropriate level of capital resources above regulatory requirements. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Corporate liquidity risk

Risk description: corporate liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due without adversely impacting its financial position, its ability to operate its normal course of its business, or its reputation.

Risk mitigation: the Company has a liquidity governance framework and policy that are designed to: identify, quantify, forecast and monitor the Company's liquidity needs, risks and requirements; maintain liquidity resources in excess of requirements; and maintain an appropriate governance and controls framework for the usage and allocation of corporate liquidity.

Corporate tax risk

Risk description: corporate tax risk is the risk of financial loss, reputational damage and/or loss of investor confidence arising from failure to comply with local tax regulations; ineffective controls over tax accounting or reporting; failure to manage changes in taxation rates, law, ownership, or corporate structure; or failure to disclose accurate information on a timely basis. This risk also arises where the Company's own tax treatments, policies or procedures are subject to interpretation by tax authorities that differ from the Company's or its advisors' interpretations. This can lead to the Company needing to adjust its structures, practices or strategies.

Risk mitigation: the Company's controls around tax reporting are designed to prevent errors and ensure compliance with disclosure requirements within prescribed timeframes.

Non-financial (operational) risks

Risk description: non-financial risks are operational risks that arise from events or actions, other than financial transactions, that can negatively impact the operations, assets or reputation of the Company. These risks may, but do not always have, an adverse financial impact, and are often the result of inadequate internal processes, controls, human error or systems, or external events. Key non-financial operational risks facing the Company include:

- *Operational (process) risk:* risk of financial loss or regulatory/reputational impact resulting from inadequate or failed internal processes and controls, human error, or systems, which may occur within the Company's internal operations across the client and trade lifecycles.
- *Compliance risk:* risk that the Company's services, activities or operations are not conducted in accordance with applicable laws and regulations, including those laws and regulations which impose fiduciary obligations on the Company. Examples include failure to appropriately manage conflicts of interest, marketing and distribution, data privacy and regulatory reporting.
- *Technology resilience risk:* risk arising from the inability to provide, maintain or recover key technology platforms, such as Aladdin®. Examples include a system outage or disruption, software or technology infrastructure failure (e.g., servers, storage devices, network components).
- *Information security risk:* risk arising from the inability to meet confidentiality, integrity, or availability requirements of Company information. Information security risk can also be described as failure to protect the Company against internal or external security threats, including accidents or malicious attacks by personnel, attacks by outsiders, and breaches at third parties, among others.
- *Major change risk:* risk due to failures in project governance and implementation, e.g. through the inability to successfully manage the extent or pace of change across the Company.
- *Financial crime risk:* risk arising from the failure to prevent external or internal parties from gaining access to, or utilising, company assets for criminal purposes or the failure to adhere to relevant laws and regulations or have adequate systems and controls to demonstrate appropriate compliance in relation to money laundering, breaches of economic sanctions, fraud (internal and external) and bribery and corruption.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

- *Corporate resilience risk*: risk of physical damage or lack of availability of Company property, assets or personnel. This includes: business continuity - inability to sustain operations due to the loss of or the inability to access facilities and/or unavailability of personnel; physical security risk - physical security issues resulting in an adverse impact to assets or personnel; and health and safety risk - workplace health and safety incidents resulting in injury, death or legal/regulatory sanctions and fines.
- *Third party risk*: risk of financial loss or operational, regulatory, reputational harm to the Company or its clients from inadequate or failed controls, processes or systems managed or supported by third parties. The Company's use of third parties does not diminish its responsibility to ensure that outsourced activities are performed in a safe and sound manner and in compliance with applicable laws.
- *People/culture risk*: risk of failure to maintain appropriate key talent management practices and human resources operational activities, which could adversely affect the Company's performance and reputation and its ability to attract and retain talent. This risk also includes the risk associated with employee relations disputes arising from the behaviour of employees and the non-alignment with the intended culture of the organisation.
- *Financial reporting risk*: risk resulting from ineffective internal controls over financial reporting or failure to prepare and/or disclose accurate information in financial statements, which could have a materially adverse impact on the Company's reputation and lead to increased scrutiny, regulatory oversight, and potential public restatements, fines or fraud.

Risk mitigation: BlackRock Group Limited ('the Group') is the Company's principal holding company in EMEA and has a well-established operational risk management framework that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the Company's fiduciary obligations to clients and mitigates the risk of poor customer outcomes. The Group has adopted a risk management framework based on a three lines of defence model comprised of the following five elements:

- Risk identification and definition, including identifying the Group's key risks and emerging risks, identifying business unit risk through tools such as risk and control self-assessments and regular meetings with business units, reviewing new products and major changes and reviewing internal and external operating events.
- Risk tolerance, including setting risk tolerances and managing its key enterprise risks within their limits and tolerances, ensuring appropriate escalations if risk tolerances are breached.
- Risk management and control, including establishing appropriate processes to measure, manage and control risk taking and address how specific duties related to risks and controls are assigned and coordinated.
- Risk monitoring and reporting, including providing information and reports to boards and committees. This includes monitoring and investigating operating events, and recording them in a database of operating events, establishing and monitoring key risk indicators in the context of the Company's risk tolerance. Additionally, it includes risk profile reporting and operating event and large operating event reporting.
- Risk governance and oversight, including establishing policies and procedures, establishing regional and global risk committees and overseeing the risk management framework.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Reputational risk

Risk description: reputational risk is the risk arising from an adverse perception on the part of existing and potential stakeholders, overseers and business partners (e.g. clients, regulators, government bodies, trading counterparties and suppliers) that could negatively impact revenue, earnings, brand value and customer retention.

Risk mitigation: BlackRock's reputation is one of its most important assets and BlackRock expects all of its employees to act with the highest level of integrity with clients and in markets. As a client-focused business, BlackRock considers reputational risk to be a fundamental aspect of all business and risk management activities. Reputational risk exposure is an integral part of the Group's Enterprise Risk Management Framework and a key focus for internal control processes around strategic decisions, products and services, operational processes, corporate governance, responsibility and communications, client and other external relationships.

Strategy/business risk

Risk description: strategy/business risk arises from adverse business decisions or improper implementation of those decisions that could negatively impact revenue, earnings and brand value. This includes adverse impact from factors such as competition, structural industry changes, asset class shifts, geopolitical instability, macro-economic conditions, falling behind industry changes or relationships with other entities. This risk is a function of the alignment between the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals and the quality of implementation. It also covers business concentration risks (e.g. earnings, client, investment strategy, third party provider concentration) and legal risks in relation to agreements with clients, employees or suppliers.

- *Climate risk:* a growing awareness of the ongoing and potential future impact of climate change is shifting the views and expectations of BlackRock's key stakeholders including clients, regulators, shareholders, employees and the broader public as well as the way BlackRock thinks about climate risks as an investment risk. Climate change poses risks and opportunities that may impact the companies in which BlackRock invests on behalf of its clients. The risk arises both in terms of the physical risk associated with rising global temperatures and also transition risk, namely, how the global transition to a low-carbon economy could affect a company's long-term profitability.

Risk mitigation: the Company mitigates strategy/business risk by making extensive efforts to respond to industry uncertainties and business opportunities. The Company also anticipates business environment changes and then implements the necessary changes to generate better outcomes for the Company and its clients.

In relation to risks posed by climate change, BlackRock, Inc. publishes its Task Force on Climate-Related Financial Disclosures ("TCFD") aligned report on an annual basis, detailing BlackRock's climate-related risks and opportunities. It can be accessed at the following link:

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2021-blkinc.pdf>

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Conduct risk

Risk description: conduct risk is the risk arising from inappropriate behaviour by the Company and/or its employees which leads to detriment to the Company or its clients or has a negative impact on market integrity.

Risk mitigation: conduct risk is present in all of the Company's activities and responsibility for managing conduct risk is embedded throughout the Company's organisational and governance arrangements. All employees are expected to follow the BlackRock Principles and the Code of Business Conduct and Ethics. One of the Company's core principles is 'We are a fiduciary to our clients' and BlackRock expects all of its employees to put clients' interests first, to comply with all regulations, to abide by the law and to act with the highest level of integrity with clients and in markets.

Public policy risk

Risk description: public policy risk is the risk of implementation of policies and regulations by legislative bodies, regulators, industry self-regulatory organisations, or other official sector standard setters that adversely impact the Company's business model, ability to optimally deliver for its clients in accordance with its fiduciary duty, access certain markets, or create down stream reputational risks.

Risk mitigation: BlackRock ensures that it monitors publications issued by regulators and other bodies on an ongoing basis in order to identify consultations, new regulation, legislation and changes to rules which may impact the Company's business or compliance procedures. This monitoring is complemented by content from external policy advisors and trade associations to ensure BlackRock is up to date with all regulatory and legislative reforms that impact its activities across the globe.

Group risk

Risk description: group risk is the risk that the financial position of the Company may be adversely impacted by its relationships with other entities in the BlackRock group or by risks that may affect the financial position of the whole group. As a member of the BlackRock group, the Company faces the risk that decisions made by, or circumstances impacting, BlackRock group entities may either directly impact the Company or may 'spill-over' and have an impact on the Company. These could include, but are not limited to, strategic mergers or acquisitions, divestiture decisions, severe financial distress, reputational damage or decisions regarding the ability or willingness to provide services to the Company.

Risk mitigation: group risk is mitigated by the Company's senior management and control functions being represented in the Group's global decision-making bodies, and by the Company having documented contractual arrangements for services with other group companies.

Further details on the wider risks facing BlackRock as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. Form 10-K to the United States SEC.

Going concern

The directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Employee consultation

It is the Company's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current jobs or future prospects.

BlackRock Saudi Arabia

Business Report for the Year Ended 31 December 2022 (continued)

Disabled employees

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees.

Supplier engagement

BlackRock uses suppliers to help support and enhance its business activities. It has formal processes and procedures in place to manage supplier risk and service delivery, such as regular performance reviews for key suppliers. In addition, BlackRock maintains a Supplier Code of Conduct & Ethics which outlines the minimum expectations and standards of all suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 22 March 2023 and signed on its behalf by:



Y Almubarak
Director

INDEPENDENT AUDITOR'S REPORT

To the shareholder of
BlackRock Saudi Arabia
(A Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BlackRock Saudi Arabia ("the Company"), which comprise the statement of financial position as at 31 December, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March, 2022.

Other information included in the Group's 2022 Business Report

Other information consists of the information included in the Company's 2022 business report, other than the financial statements and our auditors' report thereon. The Board of Directors are responsible for the other information in its business report.

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Independent Auditor's Report to the shareholders of BlackRock Saudi Arabia (Continued)**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
(continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

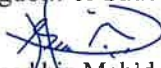
As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, 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.

Deloitte and Touche & Co.
Chartered Accountants

P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia


Waleed bin Moh'd Sobahi
License No. 378
Ramadan 4, 1444
March 26, 2023



BlackRock Saudi Arabia

Income Statement for the Year Ended 31 December 2022

	Note	2022 SAR 000	2021 SAR 000
Revenue	4	59,652	32,558
Cost of sales		<u>(15,139)</u>	<u>(8,727)</u>
Gross profit		44,513	23,831
Administrative expenses		(33,150)	(14,489)
Other operating expenses		<u>(40)</u>	<u>(55)</u>
Operating profit	5	<u>11,323</u>	<u>9,287</u>
Finance costs	6	(30)	(17)
Profit before tax		<u>11,293</u>	<u>9,270</u>
Income tax expense	9	<u>(2,750)</u>	<u>(2,125)</u>
Profit for the year		<u>8,543</u>	<u>7,145</u>

The above results were derived wholly from continuing operations.

BlackRock Saudi Arabia

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 SAR 000	2021 SAR 000
Profit for the year		<u>8,543</u>	<u>7,145</u>
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Deferred taxes on actuarial (losses)/gains on employee end of service benefit		(100)	21
Employee end of service benefit	20	<u>500</u>	<u>(105)</u>
		400	(84)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		<u>61</u>	<u>49</u>
Total comprehensive income for the year		<u><u>9,004</u></u>	<u><u>7,110</u></u>

BlackRock Saudi Arabia

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 SAR 000	31 December 2021 SAR 000
Assets			
Non-current assets			
Property and equipment	10	455	27
Right-of-use assets	11	1,048	365
		1,503	392
Current assets			
Trade and other receivables	12	21,468	10,993
Deferred tax asset	9	66	685
Income tax asset		-	589
Cash and cash equivalents	13	60,077	57,158
		81,611	69,425
Total assets		83,114	69,817
Equity and liabilities			
Equity			
Share capital	14	35,000	35,000
Statutory reserve	15	3,195	2,341
Foreign currency translation reserve	16	116	55
Other reserves	16	(167)	(667)
Share-based payment reserve	16	2,074	1,888
Retained earnings		28,570	21,168
Total equity		68,788	59,785
Non-current liabilities			
Employees' benefits	20	378	730
Current liabilities			
Trade and other payables	19	12,853	8,911
Income tax liability		27	-
Lease liabilities	17	1,068	391
		13,948	9,302
Total liabilities		14,326	10,032
Total equity and liabilities		83,114	69,817

The notes on pages 20 to 45 form an integral part of these financial statements.

BlackRock Saudi Arabia

Statement of Financial Position as at 31 December 2022 (continued)

Approved by the Board on 22 March 2023 and signed on its behalf by:



Y Almubarak
Director

BlackRock Saudi Arabia

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital SAR 000	Statutory reserve SAR 000	Foreign currency translation reserve SAR 000	Other reserves SAR 000	Share-based payment reserve SAR 000	Retained earnings SAR 000	Total SAR 000
At 1 January 2022	35,000	2,341	55	(667)	1,888	21,168	59,785
Profit for the year	-	-	61	500	-	8,543	8,543
Other comprehensive income/(loss)	-	-	-	-	-	(100)	461
Total comprehensive income	-	-	61	500	-	8,443	9,004
Transfer to statutory reserve	-	854	-	-	-	(854)	-
Share-based payment transactions	-	-	-	-	186	(187)	(1)
At 31 December 2022	35,000	3,195	116	(167)	2,074	28,570	68,788

The notes on pages 20 to 45 form an integral part of these financial statements.
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BlackRock Saudi Arabia

Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

	Share capital SAR 000	Proposed capital increase SAR 000	Statutory reserve SAR 000	Foreign currency translation reserve SAR 000	Other reserves SAR 000	Share-based payment reserve SAR 000	Retained earnings SAR 000	Total SAR 000
At 1 January 2021	12,200	22,800	1,626	6	(562)	1,082	14,745	51,897
Profit for the year	-	-	-	49	(105)	-	7,145	7,145
Other comprehensive income/(loss)	-	-	-	-	(105)	-	21	(35)
Total comprehensive income	-	-	-	49	(105)	-	7,166	7,110
Transfer to statutory reserve	-	-	715	-	-	-	(715)	-
New share capital subscribed by transfer from proposed capital increase	22,800	(22,800)	-	-	-	806	(28)	778
Share-based payment transactions	-	-	-	-	-	-	-	-
At 31 December 2021	35,000	-	2,341	55	(667)	1,888	21,168	59,785

The notes on pages 20 to 45 form an integral part of these financial statements.

BlackRock Saudi Arabia

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 SAR 000	2021 SAR 000
Cash flows from operating activities			
Profit for the year		8,543	7,145
Adjustments to cash flows from non-cash items:			
Depreciation	5	40	55
Amortisation on right-of-use assets	5	1,971	1,290
Foreign exchange (gains)/losses	5	144	131
Finance costs	6	30	17
Share-based payment transactions	7	186	806
Income tax expense	9	2,750	2,125
		<u>13,664</u>	<u>11,569</u>
Working capital adjustments:			
Increase in trade and other receivables	12	(10,475)	(2,956)
Increase in trade and other payables	19	3,942	7,083
(Decrease)/increase in employee benefits	20	(352)	168
Increase/(decrease) in other reserves		317	(166)
		<u>7,096</u>	<u>15,698</u>
Cash generated from operations		7,096	15,698
Income taxes paid		<u>(1,515)</u>	<u>(7,628)</u>
Net cash flow from operating activities		<u><u>5,581</u></u>	<u><u>8,070</u></u>
Cash flows from investing activities			
Acquisitions of property and equipment	10	<u>(468)</u>	<u>-</u>
Cash flows from financing activities			
Finance costs	6	(30)	(17)
Payments on lease liabilities	17	(1,977)	(1,254)
Equity-settled share-based payment recharge		<u>(187)</u>	<u>(28)</u>
Net cash flows from financing activities		<u>(2,194)</u>	<u>(1,299)</u>
Net increase in cash and cash equivalents		2,919	6,771
Cash and cash equivalents at 1 January		<u>57,158</u>	<u>50,387</u>
Cash and cash equivalents at 31 December	13	<u><u>60,077</u></u>	<u><u>57,158</u></u>

The notes on pages 20 to 45 form an integral part of these financial statements.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a single shareholder closed joint stock company registered under commercial registration number 1010479419 dated 19 Rabi I, 1440H (27 November 2018). The Company is owned 100% by BlackRock Group Limited.

The address of its registered office is:

Level 29
Olaya Towers
Riyadh
11523

These financial statements were authorised for issue by the Board on 22 March 2023.

Principal activity

Since 2018, The Company has been licenced to conduct securities arranging and advising services, pursuant to the Saudi Arabian General Investment Authority ("SAGIA") licence number 10211391284420 dated 5 Thul-Hijja 1439H (16 August 2018) and the Capital Market Authority ("CMA") licence number 18-192-30 dated 4 Thu-Qida 1439H (17 July 2018). On 17th February 2022, it received an additional licence to manage investment funds and client portfolios.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The financial statements have been prepared in accordance with IFRS, as endorsed by SOCPA in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA.

The financial statements have been prepared on the historical cost basis, except where IFRS as endorsed in the Kingdom of Saudi Arabia requires an alternative basis of accounting.

Consideration of climate risk

As discussed in the business report, the Company reviews and manages climate related risks. In preparing the financial statements, the directors have considered the implications of climate related risk and have concluded that there has been no material impact on the financial reporting judgements and estimates or on the valuation of the Company's assets and liabilities.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the business report on pages 1 to 10 along with principal risks and uncertainties.

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of this report. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Changes in accounting standards

New accounting standards, interpretations and amendments adopted

None of the standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") which are effective for the first time from 1 January 2022 have had a material effect on the financial statements.

New accounting standards, interpretations and amendments not yet adopted

None of the standards, interpretations and amendments issued by the IASB which are effective for periods beginning after 1 January 2023, and which have not been adopted early, are expected to have a material effect on the financial statements.

Revenue recognition

Recognition

The Company earns revenue from the provision of services relating to advisory services and fees from group companies. Revenue is recognised upon transfer of control of promised services to customers, i.e. when (or as) a performance obligation is satisfied, in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"), net of value added tax. The Company enters into contracts that can include multiple services and, in certain instances, may charge a "unitary fee" to cover these services. Such fees are accounted for separately if they are determined to be distinct. Consideration for the Company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside the Company's influence. The Company includes variable consideration as part of its transaction price when it is highly probable that a significant reversal will not occur, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company involves third parties and related parties in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Fee arrangements

Below are details of fee arrangements, and how these are measured and recognised, for revenue from the provision of services:

- **Advisory service fees:** Advisory service fees represent aggregate fees and may include fixed-rate and performance fees. Advisory fixed-rate fees are recognised over time as the related services are performed. Fees are generally invoiced quarterly in arrears. Advisory performance fees are dependent upon meeting agreed criteria. They are recognised when it is highly probable that a significant reversal will not occur. Significant judgement is involved in making such a determination at each reporting date. A portion of the fees the Company recognises may be partially related to the services performed in prior periods that meet the recognition criteria in the current period.
- **Fees from group companies:** The Company provides client services to other BlackRock entities. Such services are undertaken in accordance with legal agreements in place between the relevant entities, and the associated fees are determined in accordance with the arm's length principle. Fees from group companies are recognised as the services are performed.

Foreign currency transactions and balances

The financial statements are presented in Saudi riyal. The currency of the primary economic environment in which the Company operates is US dollars (its functional currency). The directors of the Company have approved the adoption of Saudi riyal as the presentation currency in order to provide a better understanding of the Company.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the income statement in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences on non-monetary items measured at fair value through profit or loss ("FVTPL") are reported as part of the fair value gain or loss in the income statement in the period in which they arise. Exchange differences on non-monetary items measured at fair value through other comprehensive income ("FVTOCI") are reported as part of the fair value gain or loss in other comprehensive income in the period in which they arise.

The assets and liabilities of the Company's operations are translated into the Company's presentation currency, which is Saudi riyal, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries in which the Company operates and generates taxable income.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

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

VAT

The Company is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables other than transfer pricing receivables or (b) rendering of services to customers. Input VAT is generally recoverable against output VAT upon receipt of a VAT invoice. The Tax authorities permit the settlement of VAT on a net basis. VAT related to services and purchases is recognised in the statement of financial position on a net basis and disclosed as a current asset or a liability.

VAT that is not recoverable is charged to the income statement as an expense.

Property and equipment

Property and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and impairment losses.

The cost of property and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write-off the cost less estimated residual value of non-current assets over their estimated useful lives as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Furniture, fittings and equipment	Straight-line basis over three to seven years
Right-of-use assets	Straight-line basis over the shorter of estimated useful life or the term of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property or equipment is determined by the difference between sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Other financial assets

Other financial assets comprise those financial assets acquired for business operations and strategic business objectives.

Impairment of non-financial assets

All of the Company's non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows; cash-generating unit ("CGU"). Value-in-use represents the present value of projected future cash flows expected to be derived from a CGU. Impairment losses for CGUs reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU.

Share-based payments

The ultimate parent company, BlackRock, Inc., issues equity-settled share-based payments to certain employees of the Company. The fair values of equity-settled schemes are determined at the grant date and expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non-market based vesting conditions. Details of the share-based payment schemes in existence are provided in note 18 and the expense arising from share-based compensation is disclosed in note 7.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Employees' benefits

A provision is made for the full amount of end of service benefits due to employees in accordance with the Company's policy, which is at least equal to the benefits payable in accordance with Saudi Arabian Labour Law, for their period of service up to the date of each reporting period. This provision is disclosed as a non-current liability.

The liability or asset recognised in the statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorised as follows:

Service cost

Service costs, includes current service costs and past service costs, are recognised immediately in the income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the income statement as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the income statement.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in the year in which they occur, directly in other comprehensive income.

Leases

Initial recognition and measurement

At lease commencement date, the Company recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments not yet paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The lease payments are made up of fixed payments (including in-substance fixed), payments arising from purchase options (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments based on an index or rate. The Company has elected not to separate non-lease components and therefore lease payments include associated non-lease payments.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for lease prepayments (net of any lease incentives received), the Company's initial direct costs and an estimate of restoration, removal and dismantling costs.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Subsequent measurement

After the commencement date, the liability will be reduced for payments made and increased for the unwind of interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. The corresponding adjustment is reflected in the carrying value of the right-of-use asset.

The right-of-use asset is depreciated as disclosed in the accounting policy for property and equipment. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Variable lease payments not included in the measurement of the lease liability are included in operating expenses.

Short term and low value leases

The Company has elected not to recognise liabilities for leases of low-value assets or for leases with a term of 12 months or less. Lease payments on short-term and low value leases are accounted for on a straight-line basis over the term of the lease and are included in operating expenses in the income statement.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised on the trade date when the Company becomes party to the contractual provisions.

Financial assets are derecognised when the contractual rights to the cash flows expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired.

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for trade receivables that do not contain a significant financing component which are measured at transaction price.

Financial assets are classified and subsequently measured, based on business model and contractual cash flow characteristics, at amortised cost, FVTPL or FVTOCI.

In the periods presented, the Company does not have any financial assets categorised as FVTOCI or FVTPL.

All income and expenses relating to financial assets that are recognised in the income statement are presented within finance costs or finance income.

Foreign exchange gains or losses arising on financial assets at amortised cost are presented in the income statement within administrative expenses and disclosed in note 5.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows are solely payments of principal and interest and they are held within a business model designed to hold the asset and collect its cash flows (and are not designated as FVTPL).

The Company's cash and cash equivalents, trade and other receivables and other financial assets are measured at amortised cost using the effective interest method and income is recognised on this basis.

Impairment of financial assets

All debt-type financial assets not measured at FVTPL are assessed for impairment at each reporting date using a forward-looking approach by identifying expected credit losses ("ECLs").

Impairment provisions for trade receivables are recognised based on the simplified approach using the lifetime ECLs and the single loss-rate approach.

For other financial assets, where credit risk has not increased significantly since initial recognition, twelve month ECLs are recognised. For those where credit risk has increased significantly, lifetime ECLs are recognised.

For assets held at amortised cost, any ECL is recognised in the income statement with a corresponding adjustment to the asset's carrying value through a provision account.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless designated at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

The Company's financial liabilities at amortised cost are trade and other payables. The Company has no financial liabilities at FVTPL.

In the income statement, interest-related charges are included within finance costs.

Foreign exchange gain or losses arising on financial liabilities at amortised cost are presented in the income statement within administrative expenses and disclosed in note 5.

Equity instruments

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. The Company's ordinary shares are classified as equity instruments.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below.

Income taxes

The Company is subject to income tax and judgement is required in determining the provision for tax. During the ordinary course of business, there are many transactions for which the ultimate tax determination is uncertain. If it is not probable that the tax authority will accept an uncertain tax treatment, the Company measures the effect of the uncertainty using either the most likely amount or expected value method, depending on which method provides a better prediction of the resolution of uncertainty. To the extent that the final tax outcome is different from the amounts that were recorded, such differences will impact the income tax expense in the period in which such determination is made.

Full details are set out in note 9.

Deferred tax assets

Judgement is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

Full details are set out in note 9.

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

	2022	2021
	SAR 000	SAR 000
Advisory services fees	37,015	9,362
Fees from group companies	22,637	23,196
	<u>59,652</u>	<u>32,558</u>

Analysis by geographical location

	2022	2021
	SAR 000	SAR 000
The Kingdom of Saudi Arabia	37,015	9,362
United Kingdom	21,533	21,209
United States of America	1,104	1,987
	<u>59,652</u>	<u>32,558</u>

Contract assets

Contract assets relate to the Company's conditional rights to consideration for services, primarily relating to accrued income for unbilled services. These are disclosed as accrued income in note 12. Contract assets are transferred to trade receivables when the rights become unconditional and billed to the client. These are disclosed as trade receivables in note 12.

The following table provides information about receivables and contract assets from contracts with customers:

Contract assets	2022	2021
	SAR 000	SAR 000
Trade receivables	5,500	4,100
Contract assets	12,648	5,797
	<u>18,148</u>	<u>9,897</u>

There were no significant changes in the contract asset balances during the year (2021: no significant changes).

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Operating profit

Arrived at after charging:

	2022	2021
	SAR 000	SAR 000
Audit fees	282	129
Depreciation expense	40	55
Amortisation on right-of-use assets	1,971	1,290
Foreign exchange losses	144	131
	<u>144</u>	<u>131</u>

6 Finance income and costs

	2022	2021
	SAR 000	SAR 000
Finance costs		
Interest expense on leases	30	17
	<u>30</u>	<u>17</u>

7 Staff costs

The aggregate payroll costs were as follows:

	2022	2021
	SAR 000	SAR 000
Wages and salaries	14,261	5,864
Social security costs	557	267
Equity-settled share-based payment expenses	186	806
Other employee expenses	5,994	1,603
	<u>20,998</u>	<u>8,540</u>

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	SAR 000	SAR 000
Aggregate emoluments	9,096	4,165
Company contributions in respect of defined contribution pension schemes	22	58
	9,118	4,223

The amounts included above are based on an allocation of the directors' time on the Company in addition to the salary costs of those employed directly by the Company.

During the year, no director (2021: no director) exercised BlackRock, Inc. share options.

9 Income tax

Tax charged/(credited) in the income statement

	2022	2021
	SAR 000	SAR 000
Current taxation		
Corporation tax	2,749	2,671
Corporation tax adjustments to prior periods	(519)	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(28)	(546)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	548	-
Total deferred taxation	520	(546)
Tax expense in the income statement	2,750	2,125

The tax on profit before tax for the year is higher than (2021: higher than) the standard rate of corporation tax in Saudi Arabia of 20% (2021: 20%).

BlackRock Saudi Arabia

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Income tax (continued)

	2022	2021
	SAR 000	SAR 000
Profit before tax	<u>11,293</u>	<u>9,270</u>
Corporation tax at standard rate	2,259	1,854
Decrease in current tax from adjustment for prior periods	(519)	-
Increase from effect of expenses not deductible in determining taxable profit	462	271
Deferred tax expense from unrecognised temporary difference from a prior period	<u>548</u>	<u>-</u>
Total tax charge	<u><u>2,750</u></u>	<u><u>2,125</u></u>

Deferred tax

Deferred tax assets and liabilities

	Asset	Liability	Net deferred tax
	SAR 000	SAR 000	SAR 000
2022			
Accelerated tax depreciation	(14)	-	(14)
Provisions	-	-	-
Other post-employment benefits	76	-	76
Other items	<u>20</u>	<u>(16)</u>	<u>4</u>
	<u><u>82</u></u>	<u><u>(16)</u></u>	<u><u>66</u></u>

	Asset	Liability	Net deferred tax
	SAR 000	SAR 000	SAR 000
2021			
Accelerated tax depreciation	13	-	13
Provisions	521	-	521
Other post-employment benefits	146	-	146
Other items	<u>10</u>	<u>(5)</u>	<u>5</u>
	<u><u>690</u></u>	<u><u>(5)</u></u>	<u><u>685</u></u>

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2022 SAR 000	Recognised in income SAR 000	Recognised in other comprehensive income SAR 000	At 31 December 2022 SAR 000
Accelerated tax depreciation	13	(27)	-	(14)
Provisions	521	(521)	-	-
Other post-employment benefits	146	30	(100)	76
Other items	5	(1)	-	4
Net tax assets/(liabilities)	<u>685</u>	<u>(519)</u>	<u>(100)</u>	<u>66</u>

Deferred tax movement during the prior year:

	At 1 January 2021 SAR 000	Recognised in income SAR 000	Recognised in other comprehensive income SAR 000	At 31 December 2021 SAR 000
Accelerated tax depreciation	7	6	-	13
Provisions	-	521	-	521
Other post-employment benefits	113	12	21	146
Other items	(2)	7	-	5
Net tax assets/(liabilities)	<u>118</u>	<u>546</u>	<u>21</u>	<u>685</u>

The Company has filed income tax return for the period ended 31 December 2021 and obtained the required certificate valid until 30 April 2023. The tax assessment since inception is under ZATCA review.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Property and equipment

	Furniture, fittings and equipment SAR 000	Construction in process SAR 000
Cost		
At 1 January 2021	162	-
At 31 December 2021	162	-
At 1 January 2022	162	-
Additions	262	206
At 31 December 2022	424	206
Depreciation		
At 1 January 2021	80	-
Charge for year	55	-
At 31 December 2021	135	-
At 1 January 2022	135	-
Charge for the year	40	-
At 31 December 2022	175	-
Carrying amount		
At 31 December 2022	249	206
At 31 December 2021	27	-

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Right-of-use assets

	Property SAR 000
Cost	
At 1 January 2021	3,210
Additions	<u>777</u>
At 31 December 2021	<u>3,987</u>
At 1 January 2022	3,987
Additions	<u>2,654</u>
At 31 December 2022	<u>6,641</u>
Amortisation	
At 1 January 2021	2,332
Charge for year	<u>1,290</u>
At 31 December 2021	<u>3,622</u>
At 1 January 2022	3,622
Charge for the year	<u>1,971</u>
At 31 December 2022	<u>5,593</u>
 Carrying amount	
At 31 December 2022	<u><u>1,048</u></u>
At 31 December 2021	<u><u>365</u></u>

See note 17 for further information on leases.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Trade and other receivables

		31 December 2022	31 December 2021
	Note	SAR 000	SAR 000
Accrued income		12,648	5,797
Trade receivables		5,500	4,100
Receivables from group companies	23	1,362	400
Prepayments		1,950	214
Other receivables		8	482
		21,468	10,993

The fair value of those trade and other receivables classified as financial instrument loans and receivables is disclosed in note 21.

The Company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 22.

13 Cash and cash equivalents

	31 December 2022	31 December 2021
	SAR 000	SAR 000
Cash at bank	60,077	57,158

The interest rate on the cash at bank is 0% (2021: 0%).

14 Share capital

Allotted, called up and fully paid shares

	No. 000	31 December 2022 SAR 000	No. 000	31 December 2021 SAR 000
Ordinary shares of SAR 10 each	3,500	35,000	3,500	35,000

15 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies and its By-Laws, the Company is required to transfer 10% of its net income annually to a statutory reserve until such reserve equals 30% of the paid up capital as a minimum. This reserve is not available for distribution to the shareholder.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Statutory reserve (continued)

	2022	2021
	SAR 000	SAR 000
At 1 January	2,341	1,626
Transfer to statutory reserve	854	715
At 31 December	3,195	2,341

16 Reserves

Foreign currency translation reserve

The exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payment reserve

The Company records the accumulated equity component of the share-based payment schemes it offers to its employees as a separate component of equity as allowed under IFRS 2 'Share-based Payment'.

Other reserve

The Company records the accumulated equity component of the end of service benefits it offers to its employees as a separate component of equity as allowed under IAS 19 'Employee Benefits'.

17 Leases

	31 December	31 December
	2022	2021
	SAR 000	SAR 000
Current	1,068	391

The Company has a lease for its office building. The average remaining lease term is 1 year.

In the current year, the lease was extended until June 2023. Accordingly, the right-of-use asset and lease liability were adjusted to reflect the extension. Payments which are variable in nature and do not depend on an index or rate may include common area maintenance charges and are expensed on the basis that they are not recognised as a lease liability.

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December	31 December
	2022	2021
	SAR 000	SAR 000
Less than one year	1,076	393

Total cash outflow for leases for the year ended 31 December 2022 was SAR 2,007,000 (2021: SAR 1,270,000).

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Share-based payments

Standard Restricted Stock Units

Employees of the Company may be granted share-based compensation in the form of restricted stock unit ("RSU") award schemes. RSUs are an unsecured promise to pay value in the form of BlackRock, Inc. shares. They do not carry voting rights until they are converted to shares. An RSU is deemed equivalent in fair market value to one common share. Substantially all awards are settled in common shares. Under these plans, such RSUs are restricted from sale, transfer or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period. All schemes are accounted for on an equity-settled basis.

RSUs are issued by the ultimate parent company, BlackRock, Inc., and are converted into shares of BlackRock, Inc. on each of the vesting dates. Substantially all RSUs vest over periods ranging from one to three years, although conditions vary between different types of award. Dividend equivalents on RSU awards granted are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

The majority of RSU awards are granted with a service condition only. These awards are valued at their grant-date fair value as measured by the BlackRock, Inc. common share price. The total fair value amortised over the vesting period is adjusted for future forfeitures based on management's best estimate of restrictions and behavioural considerations. The resulting expense is disclosed in note 7.

During the period, the Company awarded 652 (2021: 191) service condition awards with a weighted average fair value of SAR 3,124.31 (2021: SAR 2,772.71).

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Trade and other payables

		31 December 2022	31 December 2021
	Note	SAR 000	SAR 000
Accrued expenses		7,142	6,015
Amounts due to group companies	23	5,700	2,896
Other payables		11	-
		12,853	8,911

All amounts due to group companies are unsecured, interest free and repayable on demand.

The Company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 22 'Financial risk review'.

20 End of service benefits

The movement in provision for end of service benefits is as follows:

	2022	2021
	SAR 000	SAR 000
At 1 January	730	562
Benefits paid directly	(76)	(86)
Total expense recognised in the income statement	224	149
Total amount recognised in OCI	(500)	105
At 31 December	378	730

Principal actuarial assumptions (in respect of the employee benefit scheme)

	31 December 2022	31 December 2021
Discount rate (%)	4.81	3.04
Expected rate of salary increase (%)	3.50	3.50
Normal retirement age (years)	60	60
Plan duration (years)	15.68	17.17

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

Sensitivity analysis on significant actuarial assumptions

The impact on profit of a change in assumptions is as follows:

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

20 End of service benefits (continued)

	31 December 2022 SAR 000	31 December 2021 SAR 000
Discount rate - 0.5% higher	29	63
Discount rate - 0.5% lower	(26)	(57)
Expected salary increase rate - 0.5% higher	(26)	(57)
Expected salary increase rate - 0.5% lower	29	63

21 Classification of financial and non-financial assets and financial and non-financial liabilities

The classification of financial assets and financial liabilities by accounting categorisation for the year ending 31 December 2022 was as follows:

	Financial assets & liabilities at amortised cost - Mandatory SAR 000
Assets	
Current assets	
Trade and other receivables	6,870
Cash and cash equivalents	60,077
Liabilities	
Current liabilities	
Trade and other payables	12,853

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Classification of financial and non-financial assets and financial and non-financial liabilities (continued)

The classification of financial assets and financial liabilities by accounting categorisation for the period ending 31 December 2021 was as follows:

	Financial assets and liabilities at amortised cost - Mandatory SAR 000
Assets	
Current assets	
Trade and other receivables	4,982
Cash and cash equivalents	<u>57,158</u>
Liabilities	
Current liabilities	
Trade and other payables	<u>8,911</u>

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables and trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their value after taking into account ECLs. At the statement of financial position date, no allowance has been recognised for impairment of trade and other receivables as ECLs are considered to be immaterial.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Financial risk review

This note presents information about the Company's exposure to financial risks and management of capital.

Credit risk and impairment

Credit risk arises in relation to trade receivables, cash held in bank accounts and other asset investments. The risk of default in relation to trade receivables arising from fee income receivables is considered low and the Company minimises exposure to credit risk with respect to trade receivables by actively pursuing settlement of outstanding invoices within the terms and conditions of the underlying agreement. Intercompany balances are managed centrally and agreed upon and settled on a regular basis.

Most receivables that are overdue are not considered to be impaired. A receivable will not be impaired unless the expected cash flows, discounted at the original effective interest rate, are less than the carrying value. For trade receivables, the Company adopts the simplified single loss rate approach to determine its average historical loss rate, building into this calculation future events and the likelihood that debt will be recovered in the future. The resulting ECL rate and allowance recognised is immaterial to the Company.

The Company applies a practical expedient to its assessment of ECLs for intercompany receivables. Given the lack of intercompany defaults in the past and future projected results, the Company does not propose recognising an ECL allowance on any of its intercompany positions. The ECLs on other receivables are considered to be immaterial and no allowance has been recognised in the financial statements.

The carrying amount of the financial assets disclosed in note 21 represents the Company's maximum exposure to credit risk as no collateral or credit enhancements are held.

Credit rating analysis

Standard & Poor's short-term credit ratings have been used to determine the credit quality of the entity's cash and cash equivalents and trade and other receivables. Cash held at banks is rated at least A-1+ and trade and other receivables are not rated.

Liquidity risk

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its payment obligations as they fall due.

The Company monitors cash flow projections and has regard to forthcoming liquidity when determining the amounts available for distribution to shareholders.

The Company seeks to manage funds and liquidity requirements on a pooled basis and as such ensures that sufficient liquid assets and standby facilities are maintained to meet a prudent estimate of its net cash outflows.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Financial risk review (continued)

Maturity analysis

The following tables set out the remaining contractual maturities of the Company's financial liabilities by type:

2022	Within 1 year
Non-derivative liabilities	SAR 000
Current financial liabilities	<u>5,700</u>

2021	Within 1 year
Non-derivative liabilities	SAR 000
Current financial liabilities	<u>2,896</u>

Lease liabilities maturity analysis is disclosed in note 17.

Market risk

Market risk is the risk that the Company's capital and/or earnings may be impacted by changes in foreign exchange rates.

Foreign exchange risk

Foreign exchange risk arises where the Company's foreign currency assets are not matched by liabilities denominated in the same currency. In addition; foreign exchange exposures arise on a transactional basis largely in relation to fee income which is denominated in non-functional currencies. The Company derives revenues from advisory services in Saudi riyal and fees from group companies in US dollar. Expenses are mainly denominated in Saudi riyal and as a consequence the Company's revenues may fluctuate as a result of US dollar exchange movements.

Foreign currency exposures are monitored regularly and minimised. Foreign currency exposures that arise in relation to non-operational items are usually large in nature and are managed on a case-by-case basis.

Sensitivity analysis

The sensitivity analysis covers the financial instruments at each of the statement of financial position dates and assumes changes in market variables. It should however be noted that due to the inherent uncertainty in financial markets the actual outcome may differ significantly from the assumptions made particularly as market risks tend to be interdependent and are therefore unlikely to move in isolation.

US dollar exchange rates are assumed to increase or decrease by 20%. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. Saudi riyal is pegged to US dollar.

If the US dollar exchange rate increased by 20%, profit would decrease by SAR 1,339,800 and equity would increase by SAR 97,400.

If the US dollar exchange rate decreased by 20%, profit would increase by SAR 1,339,800 and equity would decrease by SAR 97,400.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Financial risk review (continued)

23 Related party transactions

Summary of transactions with other related parties

Other group companies provide support to certain investment management functions of the Company.

The Company and its related parties transact with each other in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

Income and receivables from related parties

	Other related parties SAR 000
2022	
International retail revenue	16,802
Client business revenue	<u>5,835</u>
	<u>22,637</u>
Amounts receivable from related parties	<u>1,362</u>
	Other related parties SAR 000
2021	
International retail revenue	13,474
Client business revenue	<u>9,722</u>
	<u>23,196</u>
Amounts receivable from related parties	<u>400</u>

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

23 Related party transactions (continued)

Expenditure with and payables to related parties

	Other related parties SAR 000
2022	
Cost of sales	10,747
Infrastructure charges	3,425
	<u>14,172</u>
Amounts payable to related parties	<u>5,700</u>
	Other related parties SAR 000
2021	
Cost of sales	6,290
Infrastructure charges	1,994
	<u>8,284</u>
Amounts payable to related parties	<u>2,896</u>

24 Parent and ultimate parent undertaking

The Company's immediate holding company is BlackRock Group Limited and the ultimate parent company and controlling party is BlackRock, Inc. a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at www.blackrock.com or requests may be addressed to Investor Relations at 50 Hudson Yards, New York, NY10001, USA or by email at invrel@blackrock.com.