# SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY
# (SEDCO CAPITAL)
# (Saudi Closed Joint Stock Company)

## CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2023

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY
(SEDCO Capital)
(A Saudi Closed Joint Stock Company)

INDEPENDENT AUDIOTR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

Building a better working world

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY – (SEDCO CAPITAL)

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion
We have audited the consolidated financial statements of Saudi Economic and Development Securities Company – (SEDCO Capital) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs that are endorsed in the Kingdom of Saudi Arabia").

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

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, the applicable requirements of the Companies' Law and the Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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 Group's financial reporting process

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

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY – (SEDCO CAPITAL) (CONTINUED)**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

**for Ernst & Young Professional Services**

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 18 Ramadhan 1445H
(28 March 2024G)

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | *Notes* | ***2023*** ***SR*** | *2022* *SR* |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSET** | | | |
| Financial investments | 4 | **148,634,631** | 229,203,828 |
| Property and equipment | 5 | **3,047,086** | 2,637,162 |
| Intangible assets | 6 | **4,249,480** | 4,719,332 |
| | | **155,931,197** | 236,560,322 |
| **CURRENT ASSETS** | | | |
| Financial investments | 4 | **3,072,200** | 52,501,800 |
| Accounts receivables and accrued income | 7 | **174,612,803** | 74,056,512 |
| Prepayments and other current assets | 8 | **38,776,645** | 34,961,754 |
| Cash and cash equivalents | 9 | **103,052,284** | 20,595,455 |
| | | **319,513,932** | 182,115,521 |
| **TOTAL ASSETS** | | **475,445,129** | 418,675,843 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 10 | **200,000,000** | 200,000,000 |
| Statutory reserve | 11 | **30,718,596** | 27,242,890 |
| Foreign currency translation reserve | | **(16,338)** | (65,680) |
| Retained earnings | | **122,988,707** | 109,020,029 |
| **Equity attributable to the equity holders of the parent** | | **353,690,965** | 336,197,239 |
| Non-controlling interests | 12 | **10,488,247** | 12,404,424 |
| **TOTAL EQUITY** | | **364,179,212** | 348,601,663 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITY** | | | |
| Employees' defined benefit liabilities | 13 | **19,651,485** | 18,132,247 |
| | | **19,651,485** | 18,132,247 |
| **CURRENT LIABILITIES** | | | |
| Account payable, accruals and other current liabilities | 14 | **78,891,821** | 39,324,807 |
| Accrued zakat and tax | 18 | **12,722,611** | 12,617,126 |
| | | **91,614,432** | 51,941,933 |
| **TOTAL LIABILITIES** | | **111,265,917** | 70,074,180 |
| **TOTAL EQUITY AND LIABILITIES** | | **475,445,129** | 418,675,843 |

The attached notes from 1 to 27 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | *Notes* | ***2023*** ***SR*** | *2022* *SR* |
|---|---|---|---|
| **OPERATING INCOME** | | | |
| Fee from services, net | 15 | **200,369,796** | 112,821,549 |
| (Loss) / income from investments | 16 | **(1,777,320)** | 12,620,594 |
| **TOTAL OPERATING INCOME** | | **198,592,476** | 125,442,143 |
| **OPERATING EXPENSES** | | | |
| Salaries and employees related expenses | | **(121,166,364)** | (71,309,185) |
| General and administrative expenses | 17 | **(37,337,271)** | (22,621,777) |
| Marketing expenses | | **(2,068,236)** | (2,172,041) |
| **TOTAL OPERATING EXPENSES** | | **(160,571,871)** | (96,103,003) |
| **NET OPERATING INCOME** | | **38,020,605** | 29,339,140 |
| Other income | | **10,460** | 5,524,742 |
| Foreign exchange loss, net | | **(5,554)** | (859,485) |
| **NET PROFIT BEFORE ZAKAT AND INCOME TAX** | | **38,025,511** | 34,004,397 |
| Zakat and income tax | 18 | **(5,184,593)** | (4,595,201) |
| **NET PROFIT FOR THE YEAR** | | **32,840,918** | 29,409,196 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Actuarial (loss) / gain on re-measurement of employees' defined benefits | 13 | **(502,711)** | 493,913 |
| Items that are or may be reclassified to profit or loss: | | | |
| Net movement in exchange translation reserve | | **49,342** | (100,033) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **32,387,549** | 29,803,076 |
| Net profit attributable to: | | | |
| Owners of the company | | **34,757,061** | 31,392,832 |
| Non-controlling interest | | **(1,916,143)** | (1,983,636) |
| | | **32,840,918** | 29,409,196 |
| Total comprehensive income attributable to: | | **34,303,726** | 31,786,712 |
| Owners of the company | | **(1,916,177)** | (1,983,636) |
| Non-controlling interest | | | |
| | | **32,387,549** | 29,803,076 |
| Basic and Diluted earnings per share (expressed in SR per share) | 19 | **1.74** | 1.57 |

The attached notes from 1 to 27 form an integral part of these financial statements.

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO Capital)
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

| | *Share in capital SR* | *Statutory reserve SR* | *Foreign currency translation service SR* | *Retained earnings SR* | *Total shareholders' equity SR* | *Non-controlling interest SR* | *Total equity SR* |
|---|---|---|---|---|---|---|---|
| Balance at January 2022 | 200,000,000 | 24,103,607 | 34,353 | 97,852,567 | 321,990,527 | 14,388,060 | 336,378,587 |
| Net profit for the year | - | - | - | 31,392,832 | 31,392,832 | (1,983,636) | 29,409,196 |
| Other comprehensive income | - | - | (100,033) | 493,913 | 393,880 | - | 393,880 |
| Total comprehensive income | - | - | (100,033) | 31,886,745 | 31,786,712 | (1,983,636) | 29,803,076 |
| Transfer to statutory reserve | - | 3,139,283 | - | (3,139,283) | - | - | - |
| Dividend (note 10) | - | - | - | (17,580,000) | (17,580,000) | - | (17,580,000) |
| Balance at December 2022 | 200,000,000 | 27,242,890 | (65,680) | 109,020,029 | 336,197,239 | 12,404,424 | 348,601,663 |
| Net profit for the year | **-** | **-** | **-** | **34,757,061** | **34,757,061** | **(1,916,143)** | **32,840,918** |
| Other comprehensive income | **-** | **-** | **49,342** | **(502,677)** | **(453,335)** | **(34)** | **(453,369)** |
| Total comprehensive income | **-** | **-** | **49,342** | **34,254,384** | **34,303,726** | **(1,916,177)** | **32,387,549** |
| Transfer to statutory reserve | **-** | **3,475,706** | **-** | **(3,475,706)** | **-** | **-** | **-** |
| Dividend (note 10) | **-** | | **-** | **(16,810,000)** | **(16,810,000)** | **-** | **(16,810,000)** |
| Balance at December 2023 | **200,000,000** | **30,718,596** | **(16,338)** | **122,988,707** | **353,690,965** | **10,488,247** | **364,179,212** |

The attached notes from 1 to 27 form an integral part of these financial statements.

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY
(SEDCO Capital)
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

| | *Notes* | ***2023 SR*** | *2022 SR* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net profit before zakat and income tax | | **38,025,511** | 34,004,397 |
| ***Adjustments to reconcile net income / (loss) to net cash from operating activities:*** | | | |
| Depreciation | 5 | **709,490** | 598,045 |
| Amortization | 6 | **894,008** | 856,597 |
| Unrealized loss / (gain) on financial investments | 16 | **12,294,364** | (7,778,156) |
| Realized gain on financial investments | | **(5,447,633)** | (1,324,651) |
| Income from assets held for sales | | **-** | (111,783) |
| Provision / (reversal) for other receivables | 7 | **1,852,049** | (1,956,640) |
| Write-off of receivables | | **-** | 172,684 |
| Provision for employees' defined benefit liabilities | 13 | **2,631,426** | 1,551,062 |
| Loss on disposal of property and equipment | 5 | **-** | 1,841 |
| | | **50,959,215** | 26,013,396 |
| **Net changes in operating assets and liabilities:** | | | |
| Accounts receivable and accrued income | | **(100,556,291)** | (8,036,772) |
| Prepayments and other current assets | | **(3,814,891)** | 19,565,140 |
| Accounts payable, accruals and other current liabilities | | **38,880,627** | (30,421,573) |
| Cash (used in) / generated from operations: | | **(14,531,340)** | 7,120,191 |
| Employees' end of service benefits paid | 13 | **(1,614,899)** | (1,161,763) |
| Zakat and income-tax paid | 18 | **(5,015,677)** | (5,782,208) |
| Net cash (used in) / from operating income | | **(21,161,916)** | 176,220 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of financial investments | | **(35,824,972)** | (170,084,290) |
| Proceeds from disposal of financial investments | | **157,747,945** | 123,705,870 |
| Purchase of property and equipment | 5 | **(1,119,414)** | (302,066) |
| Purchase of intangible assets | 6 | **(424,156)** | (144,080) |
| proceeds from sale of Investment held for sale | | **-** | 3,861,783 |
| **Net cash from / (used in) investing activities** | | **120,379,403** | (42,962,783) |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid during the period | 10 | **(16,810,000)** | (17,580,000) |
| **Net change in cash and cash equivalents** | | **82,407,487** | (60,366,563) |
| Cash and cash equivalents at beginning of the period | 9 | **20,595,455** | 81,101,293 |
| Exchange translation adjustment | | **49,342** | (139,275) |
| **Cash and cash equivalents at end of the period** | 9 | **103,052,284** | 20,595,455 |

The attached notes from 1 to 27 form an integral part of these financial statements.

## 1. REPORTING ENTITY

Saudi Economic and Development Securities Company (SEDCO Capital) ("the Company") is a Saudi Closed Joint Stock Company registered in Jeddah under Commercial Registration number 4030194994 on 1 Thul-Hijjah 1430 (November 18, 2009). The Company obtained the approval of the Ministry of Commerce and Industry via Decree number 328/K, dated 1 Thul-Hijjah 1430 (November 18, 2009) to establish the Company.

The Company is a Capital Market Institution as defined in the Capital Market Institutions regulations issued by the Capital Market Authority. The principal activities of the Company are managing, arranging, advising, dealing and custody services with respect to the financial securities business as per license issued by the Capital Market Authority (CMA) number 11157-37 dated 23 Rabi'II 1430 (April 19, 2009).
The Company's principal place of business is Jeddah.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December:

| *Name of the subsidiary* | *Country of incorporation* | *Effective ownership interest (%)* | |
|---|---|---|---|
| | | ***2023*** | *2022* |
| SEDCO Capital UK Limited | United Kingdom | **100%** | 100% |
| SEDCO Capital Luxembourg S.A. | Luxembourg | **100%** | 100% |
| SEDCO Capital Cayman Limited | Cayman Island | **100%** | 100% |
| SC Sentinel Limited | Cayman Island | **65%** | 65% |
| SEDCO Management LTD | UAE | **100%** | 100% |
| SEDCO Capital High Conviction Fund | Saudi Arabia | **100%** | 100% |
| SEDCO Capital Total Return Fund | Saudi Arabia | **100%** | 100% |

## 2. BASIS OF PREPERATION

### 2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

***a) Basis of measurement***

These consolidated financial statements have been prepared under the historical cost basis using the going concern concept and accrual basis of accounting except for financial investments carried at fair value through profit and loss (FVTPL).

***b) Functional and presentation currency***

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). These consolidated financial statements are presented in Saudi Arabian Riyal ("SR") which is the company's functional and presentation currency.

### 2.2 Significant accounting estimates, judgements and assumptions

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

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

**2. BASIS OF PREPERATION (continued)**

**2.2 Significant accounting estimates, judgements and assumptions (continued)**

*Significant areas where management has used estimates or assumptions are as follows:*

***a) Useful lives and residual value of property and equipment, intangibles and investment properties***

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

***b) Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

***c) Impairment of financial assets***

The Group recognizes loss allowances for expected credit loss ("ECL") on financial assets that are debt instruments and are not carried at FVTPL, at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

***d) Employee defined benefit plan***

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

**2. BASIS OF PREPERATION (continued)**

**2.2 Significant Estimates and Assumptions (continued)**

***e) Fair value measurement***

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

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

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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

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

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

The Group recognizes transfers between levels of the fair value hierarchy, if any, at the end of the reporting period during which the change has occurred.

*Significant area where management has used judgements are as follow:*

***f) Going concern***

The Group’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Further, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on a going concern basis.

**2.3 Current versus non-current classification**

***Assets:***
An asset is current when it is:

- Expected to be realized or intended to be sold/sell or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

**2. BASIS OF PREPERATION (continued)**

**2.3 Current versus non-current classification (continued)**

***Liabilities:***
A liability is current when:

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

All other liabilities are classified as non-current.

**2.4 New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group’s consolidated financial statements.

**Definition of Accounting Estimates – Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group’s consolidated financial statements.

**Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s consolidated financial statements.

**2. BASIS OF PREPERATION (continued)**

**2.4 New and amended standards and interpretations (continued)**

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023. The amendments had no impact on the Group's consolidated financial statements.

**2.5 Standard issued but not yet effective**

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

**Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not rcognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**2. BASIS OF PREPERATION (continued)**

**2.5 Standard issued but not yet effective (continued)**

**Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on Group's consolidated financial statements.

**Lack of exchangeability – Amendments to IAS 21**

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be recognised for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The amendments address the conflict between IFRS 10 Financial statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint ventures

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it recognises any amendments that result from its research project on the equity method. Early application of the amendments is still permitted but will need to be disclosed.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### *a. Basis of consolidation*

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. These consolidated financial statements comprising the financial statements the Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***a. Basis of consolidation (continued)***

**Business combinations and goodwill (continued)**

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

***b. Foreign currencies***

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is represented by US Dollars and Great Britian Pounds.

Foreign currency transactions of individual Group companies are translated into functional currency at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are retranslated into functional currency at the rates ruling at the statement of financial position dates. Any differences are taken to the consolidated statement of profit or loss.

On consolidation, the results of subsidiaries are translated into Saudi Riyals at rates approximating to those ruling when the transactions took place. All assets and liabilities of the foreign subsidiaries are translated into Saudi Riyals at the rates of exchange ruling on the statement of financial position date. Exchange differences arising on translation are recognised as other comprehensive income / (loss) in the exchange translation reserve.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to the consolidated statement of profit or loss and other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

***c. Trade date accounting***

All regular way purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***d. Property and equipment***

*i) Initial recognition and measurement*

Items of property and equipment are initially recognized at cost. Subsequent measurement is done at cost less accumulated depreciation and accumulated impairment losses, if any.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***d. Property and equipment (continued)***

*i) Initial recognition and measurement (continued)*

Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Capital work in progress, if any, is stated at cost less impairment losses, if any and represent construction / development work pertaining to the asset in progress. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

*ii) Subsequent expenditure*

Subsequent expenditure is capitalized when it is probable that future economic benefits deriving from the cost incurred will flow to the Group and the cost of the item can be measured reliably.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of profit or loss account and other comprehensive income as incurred.

*iii) De-recognition*

Property and equipment are derecognized when no future economic benefits are expected from their use or upon their disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the consolidated statement of profit or loss.

*iv) Depreciation*

Depreciation of asset begins from the month when it is available for use and ceases at the earlier of the month the asset is classified as held for sale or the month the assets is derecognized.

Depreciation is calculated on cost of items of property and equipment less their estimated residual values over their estimated useful lives using the straight-line method and is generally recognized in the profit or loss. Freehold land is not depreciated. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

| | |
|---|---|
| Leasehold improvements | 10 years |
| Furniture, equipment and vehicle | 4 – 6 years |

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

***e. Intangible assets***

*i) Initial recognition and measurement*

Intangible assets that are acquired by the Group, which have finite useful lives, are recognized at cost. Subsequent measurement is done at cost less accumulated amortization and accumulated impairment losses, if any. Cost includes any directly attributable incidental expenses necessary to make the assets ready for its intended use.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***e. Intangible assets (continued)***

*ii) Subsequent expenditure*

Subsequent expenditure is capitalized when it is probable that future economic benefits deriving from the cost incurred will flow to the Group and the cost of the item can be measured reliably.

*iii) Amortization*

Amortization is calculated over the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful life of intangibles is 4 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

*iv) De-recognition*

An intangible asset is derecognized when no future economic benefits are expected from their use or upon their disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

***f. Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*i) Financial assets*

***Initial recognition and measurement***
The Group's financial assets consist of cash and bank balances, Murabaha placements, accounts receivable, investments at fair value through profit or loss due from related parties and financial liabilities consist of trade and other payables. Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***
For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***f. Financial instruments (continued)***

***Subsequent measurement (continued)***

*Financial assets at amortised cost (debt instruments)*
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables.

*Financial assets at fair value through OCI*

***Debt instruments***
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

***Equity instruments***
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. Financial assets classified as fair value through profit or loss comprise investments in a short term discretionary portfolio and the investee entities, are acquired principally for the purpose of selling or repurchasing in the short term.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***f. Financial instruments (continued)***

***Equity instruments (continued)***

*Financial assets at fair value through profit or loss (continued)*

For securities that are traded in organized financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the of the respective investee entity, which is reflective of the fair value of these securities.

***Business model assessment***
The Group makes an assessment of the objective of a business model under which an asset is held, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

*Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)*
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic placement risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

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

i. Contingent events that would change the amount and timing of cash flows;
ii. Leverage features;
iii. Prepayment and extension terms;
iv. Terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
v. Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***f. Financial instruments (continued)***

*ii) Financial liabilities*

***Initial recognition and measurement***
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financing, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable and other liabilities.

***Subsequent measurement***
The measurement of financial liabilities depends on their classification, as described below:

***Financial liabilities at fair value through profit or loss***
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

***Amortised cost***
After initial recognition, long term payables are subsequently measured at amortised cost using the EPR method. Gains and losses as a result of unwinding of profit cost through EPR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the consolidated statement of profit or loss.

*iii) Derecognition*

***Financial assets***
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

a) The rights to receive cash flows from the asset have expired; or
b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***f. Financial instruments (continued)***

*iii) Derecognition (continued)*

***Financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

*iv) Offsetting of financial instruments*

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

***g. Assets held for sale***

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in consolidated statement of profit or loss.

Once classified as held-for-sale, assets are no longer amortised or depreciated.

***h. Dividends***

Final dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Group.

***i. Zakat and income tax***

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of Zakat, Tax and Custom Authority ("ZATCA"). Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat and income tax liability, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized and recognized in profit or loss.

Subsidiaries registered outside the Kingdom of Saudi Arabia (KSA) are subject to income tax as per applicable local regulations, which is charged to the consolidated profit or loss statement.

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the jurisdictions of the respective entities within the Group.

**Deferred income tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *i. Zakat and income tax (continued)*

**Deferred income tax (continued)**
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The goup offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

***Withholding tax***
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***j. Employee benefits***

*Post-employment benefits*
The Group's net obligations in respect of defined unfunded post-employment benefit plan ("the plan") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Group's present value of the obligation. As at the consolidated statement of financial position date, the Group's post-employment defined benefit plan is represented by employees' end of service benefit plan.

*Termination benefits*
Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

*Short term benefits*
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

***k. Provisions and contingent liabilities***

*Provisions*
A provision is recognized if, as a result of a past event, the Group has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions expected to be settled after 12 months of the reporting date are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in consolidated statement of profit or loss and other comprehensive income.

*Onerous contracts*
A provision for onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

*Contingent liabilities*
Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Contingent liabilities are based on the judgment of management / independent experts and are not recognized in these consolidated financial statements but disclosed in the notes to theses consolidated financial statements. These are reviewed at the end of each reporting period and are adjusted as appropriate.

***l. Cash and cash equivalents***

Cash and cash equivalents in the consolidated statement of financial position represents cash in hand, balances with banks and other financial assets, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

***m. Fiduciary assets***

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not recognised in the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***n. Revenue recognition***

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue from contracts with customer when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group recognizes revenue from contracts with customers based on a five-step model as set out below:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation: The Group has applied constraint in determining the transaction price with respect to the performance fee it is entitled under the management agreements with its core clients due to the significant uncertainties involved in determining the performance fee. Therefore, revenue is recognized after the actual results are available to the Group.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

The Group recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations.

Major sources of revenue for the Group and the corresponding accounting policy in respect of revenue recognition is set out below:

*Fee from asset management*
Fees charged for managing investment funds and private portfolios are recognized as revenue ratably as the services are provided, based on the applicable service contracts. Subscription fee is recognized at the time of subscription. Any performance fee is recognized in the period in which the corresponding fund or portfolio results meet (or are expected to meet) the annual preset targets.

*Fee from advisory services*
Fee from advisory services is recognised based on services rendered under the applicable service contracts.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***n. Revenue recognition (continued)***

*Rental income from properties*
Rental income from properties is recognized on straight line basis over the term of the corresponding lease arrangement.

*Gain on sale of real estate*
The Group transfers control of underlying properties to the buyer, which is normally upon unconditional exchanging of contracts, transfer of physical possession of the asset and substantially receiving the full property value.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

***o. Expenses***

General and administrative expenses include direct and indirect costs related to operations other than salaries and marketing expenses. Allocations of common expenses between cost of sales, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

***p. Finance income and finance costs***

Finance income on investments is recognized as it accrues in the consolidated statement of profit or loss and other comprehensive income, using the effective interest method.

Finance costs comprises of interest expenses and bank charges incurred by the Group during the year. Interest expense is recognized using the effective interest method. These are recorded as and when incurred.

***q. Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any).

Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

## 4. FINANCIAL INVESTMENTS

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| ***Financial investments classified under current assets:*** | | |
| **FVTPL** | | |
| Investment fund – Money market | **-** | 52,501,800 |
| **Financial investment at amortised cost** | | |
| Murabaha investments- with original maturities of more than 3 months | **3,072,200** | - |
| | **3,072,200** | 52,501,800 |
| ***Financial investments classified under non-current assets:*** | | |
| **FVTPL** | | |
| Investment funds | | |
| - Real estate | **70,194,551** | 73,272,619 |
| - Public equity | **28,431,651** | 46,408,589 |
| Private equities – foreign | **41,020,560** | 84,827,482 |
| Public equity – local | **8,987,869** | 24,695,138 |
| Total Financial investment classified under non-current assets | **148,634,631** | 229,203,828 |
| **Total Financial Investments** | **151,706,831** | 281,705,628 |

## 5. PROPERTY AND EQUIPMENT

Movement in property and equipment during the year ended 31 December 2023 is as follows:

| | ***Leasehold improvements SR*** | ***Furniture, equipment and vehicle SR*** | ***Total SR*** |
|---|---|---|---|
| **Cost:** | | | |
| Balance at 1 January 2023 | **5,964,399** | **7,148,032** | **13,112,431** |
| Additions | **837,481** | **281,933** | **1,119,414** |
| Disposals | **-** | **-** | **-** |
| Balance at 31 December 2023 | **6,801,880** | **7,429,965** | **14,231,845** |
| **Accumulated depreciation:** | | | |
| Balance at 1 January 2023 | **4,364,918** | **6,110,351** | **10,475,269** |
| Charges for the year (note 5.1) | **371,497** | **337,993** | **709,490** |
| Balance at 31 December 2023 | **4,736,415** | **6,448,344** | **11,184,759** |
| **Net book value** | | | |
| **At 31 December 2023** | **2,065,465** | **981,621** | **3,047,086** |

## 5. PROPERTY AND EQUIPMENT (continued)

Movement in property and equipment during the year ended 31 December 2022 is as follows:

| | *Leasehold improvements SR* | *Furniture, equipment and vehicle SR* | *Total SR* |
|---|---|---|---|
| **Cost:** | | | |
| Balance at 1 January 2022 | 5,833,496 | 6,844,296 | 12,677,792 |
| Additions | 130,903 | 307,095 | 437,998 |
| Disposals | - | (3,359) | (3,359) |
| Balance at 31 December 2022 | 5,964,399 | 7,148,032 | 13,112,431 |
| **Accumulated depreciation** | | | |
| Balance at 1 January 2022 | 4,045,660 | 5,697,150 | 9,742,810 |
| Charges for the year (note 5.1) | 319,258 | 278,787 | 598,045 |
| Disposals | - | (1,518) | (1,518) |
| Foreign exchange translation movement | - | 135,932 | 135,932 |
| Balance at 31 December 2022 | 4,364,918 | 6,110,351 | 10,475,269 |
| **Net book value** | | | |
| **At 31 December 2022** | 1,599,481 | 1,037,681 | 2,637,162 |

**5.1** All the depreciation charged for the year is included in general and administrative expenses (note 17).

## 6. INTANGIBLE ASSETS

Movement in intangible assets (represented by computer software) during the year ended 31 December is as follows:

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| **Cost:** | | |
| Balance as at 1 January | **8,248,902** | 8,104,822 |
| Additions | **424,156** | 144,080 |
| Balance as at 31 December | **8,673,058** | 8,248,902 |
| **Accumulated amortization:** | | |
| Balance as at 1 January | **3,529,570** | 2,672,973 |
| Charge for the year | **894,008** | 856,597 |
| Balance as at 1 January | **4,423,578** | 3,529,570 |
| Net book value: | | |
| At 31 December | **4,249,480** | 4,719,332 |

a) All the amortisation charged for the year is included in general and administrative expenses (note 17).

## 7. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

| | *2023* *SR* | *2022* *SR* |
|---|---|---|
| Management fee | **168,024,953** | 69,025,294 |
| Advisory fee | **7,262,033** | 5,642,877 |
| Others | **575,817** | 388,341 |
| | **175,862,803** | 75,056,512 |
| Allowance for expected credit loess | **(1,250,000)** | (1,000,000) |
| | **174,612,803** | 74,056,512 |

Movement in allowance for expected credit losses is as follows:

| | *2023* *SR* | *2022* *SR* |
|---|---|---|
| At 1 January | **1,000,000** | 2,956,640 |
| Charges for the year | **250,000** | - |
| Reversal, net | **-** | (1,956,640) |
| At 31 December | **1,250,000** | 1,000,000 |

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

| | *2023* *SR* | *2022* *SR* |
|---|---|---|
| Loan to employees | **5,654,922** | 4,485,516 |
| Advances to vendors | **205,000** | 434,000 |
| Prepaid medical insurance | **810,866** | 622,750 |
| Other prepayments and current assets (note a) | **34,605,857** | 30,317,439 |
| Less: allowance for expected credit losses | **(2,500,000)** | (897,951) |
| | **38,776,645** | 34,961,754 |

a) The carrying amount represents payments made on behalf of the funds and advances, duly recoverable from underlying funds (refer note 20).

## 9. CASH AND CASH EQUIVALENTS

| | *2023* *SR* | *2022* *SR* |
|---|---|---|
| Cash and cash equivalents (note a) | **103,052,284** | 20,595,455 |
| | **103,052,284** | 20,595,455 |

**9. CASH AND CASH EQUIVALENTS (continued)**

a) Cash and cash equivalents comprise of the following:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Cash in hand | **35,923** | 33,418 |
| Cash in current accounts | **89,764,694** | 6,969,210 |
| Murabaha deposits -with original maturities of up to 3 months or less (note b) | **13,251,667** | 13,592,827 |
| | **103,052,284** | 20,595,455 |

b) During the year, the Group earned finance income of SR 1.0 million SR (2022: SR 0.39 million) at rate of return ranging from 4.15% to 6.00% (2022: 0.87% to 5.46%).

**10. SHARE CAPITAL AND DIVIDEND**

The share capital of the Company amounting to SR 200 million (2022: SR 200 million) is divided into 20,000,000 shares (2022: 20,000,000) with nominal value of SR 10 per share.

At the balance sheet date, the share capital of the Company is divided as follows:

| | **Percentage** | | **Number of shares** | |
|---|---|---|---|---|
| | ***2023*** | *2022* | ***2023*** | *2022* |
| Saudi Economic and Development Holding Company | **96%** | 96% | **19,200,000** | 19,200,000 |
| Rushd International Real Estate Company | **1%** | 1% | **200,000** | 200,000 |
| Ehkam International Real Estate Company | **1%** | 1% | **200,000** | 200,000 |
| Ta’diah For Urban Development Company | **1%** | 1% | **200,000** | 200,000 |
| Ta’aki International Real Estate Company | **1%** | 1% | **200,000** | 200,000 |
| | **100%** | 100% | **20,000,000** | 20,000,000 |

The shareholders approved distribution of dividend amounting to SR 16.81 million (SR 0.8405 per share) which was fully paid during the year 2023 (2022: SR 17.58 million - SR 0.879 per share).

**11. STATUTORY RESERVE**

In accordance with the Company’s By-laws the Company transfers minimum 10% of the net income for the year, attributable to the owners of the parent company to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the consolidated financial statements is the statutory reserve of the Parent Company. This reserve currently is not available for distribution to the shareholders of the Parent Company.

**12. PARTLY OWNED SUBSIDIARY**

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Accumulated NCI** | | |
| SC Sentinel Limited | **10,488,247** | 12,404,424 |

As at 31 December 2023, 35% (2022: 35%) of the shareholding of Sentinel Limited was held by non-controlling interests.

## 12. PARTLY OWNED SUBSIDIARY (continued)

*12.1 Summarized balance sheet.*

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Current assets | **485,995** | 3,127,114 |
| Current liabilities | **1,410,393** | 1,290,562 |
| **Net current (liabilities) / assets** | **(924,398)** | 1,836,552 |
| Non-current assets | **41,292,711** | 85,934,430 |
| **Net assets** | **40,368,313** | 87,770,982 |
| **Accumulated NCI** | **10,488,247** | 12,404,424 |

*12.2 Summarized statement of comprehensive loss.*

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Revenues | **(4,445,068)** | (12,350,759) |
| Expenses | **(232,285)** | (176,979) |
| Losses for the year | **(4,677,353)** | (12,527,738) |
| **Loss allocated to NCI** | **(1,916,177)** | (1,983,636) |

## 13. EMPLOYEES' DEFINED BENEFIT LIABILITIES

Changes in present value of defined benefit obligation are as follows:

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Balance as at 1 January | **18,132,247** | 18,236,861 |
| **Included in profit or loss** | | |
| Current service cost | **1,855,242** | 1,122,666 |
| Interest cost | **776,184** | 428,396 |
| | **2,631,426** | 1,551,062 |
| **Included in other comprehensive income** | | |
| Actuarial loss / (gain) | **502,711** | (493,913) |
| Benefits paid | **(1,614,899)** | (1,161,763) |
| **Balanced as at 31 December** | **19,651,485** | 18,132,247 |

The most recent actuarial valuation was performed by an independent, qualified actuary "AON Financial services firm" using the projected unit credit method. Aon Financial services firm are licensed from the "Institute of Actuaries", "Casualty Actuarial Society" and "Institute and Faculty of Actuaries".

## 13. EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Principal assumptions used in determining employee terminal benefits are as shown below:

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Discount rate | **4.81%** | 4.99% |
| Future salary growth | **3.00%** | 3.00% |
| Retirement age | **60** | 60 |
| Employee turnover | **Medium** | Medium |

All movements in the employees' defined benefit liabilities are recognized in consolidated statement of profit or loss except for the actuarial loss, which is recognized as other comprehensive income.

### *13.1 Sensitivity analysis:*

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Increase in discount rate of 0.5% | **(766,408)** | (689,025) |
| Decrease in discount rate of 0.5% | **825,362** | 743,422 |
| Increase in rate of salary of 0.5% | **845,014** | 761,176 |
| Decrease in rate of salary of 0.5% | **(786,059)** | (706,806) |

The following are the expected charges in the future year:

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Expected current service cost | **2,011,480** | 1,855,242 |
| Expected net interest charge | **824,808** | 776,184 |
| | **2,836,288** | 2,631,426 |

## 14. ACCOUNT PAYABLE, ACCRUALS AND OTHER CURRENT LIABILITIES

| | *2023* | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Employee related expenses | **55,709,120** | 22,327,890 |
| Accrued one time consultancy fee | **6,680,000** | - |
| Due to related parties (note 20) | **4,488,098** | 4,342,353 |
| Accrued professional fees | **4,494,461** | 7,124,002 |
| Value added tax liability | **564,003** | 980,477 |
| Account payable | **8,696** | 161,546 |
| Others | **6,947,443** | 4,388,539 |
| | **78,891,821** | 39,324,807 |

## 15. FEE FROM SERVICES, NET

Following is a disaggregation of total revenue by type, major geographies and timing of recognition for the period ended 31 December:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Analysis by type of services:** | | |
| Advisory fees | **15,979,789** | 15,112,631 |
| Management fees (note a) | **184,390,007** | 97,708,918 |
| **Fee from services, net** | **200,369,796** | 112,821,549 |
| **Analysis by primary geographical markets:** | | |
| Kingdom of Saudi Arabia | **106,623,895** | 65,426,189 |
| Other geographical markets | **93,745,901** | 47,395,360 |
| **Fee from services, net** | **200,369,796** | 112,821,549 |
| **Analysis by timing of revenue recognition** | | |
| Points in time (note a) | **111,056,114** | 25,052,403 |
| Over time | **89,313,682** | 87,769,146 |
| **Fee from services, net** | **200,369,796** | 112,821,549 |

a) This includes one-time fee amounting to SR 111.1 million (2022: SR 25.6 million) , comprising of carried interest (performance fee), brokerage fee, financing arrangement fee, structuring fee, subscription fee and others, earned as part of fund management activities of underlying funds. The employee incentives related to these fees are included as part of salaries and employees related expenses.

## 16. (LOSS) / INCOME FROM FINANCIAL INVESTMENTS

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Dividend income | **2,390,703** | 724,949 |
| Unrealized (loss) / gain on financial investments | **(12,294,364)** | 7,778,156 |
| Realized gain on financial investments | **5,447,633** | 1,324,651 |
| Income from murabaha contracts | **1,037,304** | 390,600 |
| Others | **1,641,404** | 2,402,238 |
| | **(1,777,320)** | 12,620,594 |

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Professional and consultancy fees | **14,517,401** | 5,144,305 |
| Cross charge for shared services | **3,550,000** | 2,976,157 |
| Rent expense | **3,155,616** | 2,342,606 |
| Computer expenses and related maintenance | **2,693,325** | 2,496,178 |
| Traveling expenses | **1,891,525** | 1,523,159 |
| Insurance expense | **1,149,346** | 1,209,988 |
| Trainings and meetings | **1,024,913** | 1,400,361 |
| Subscriptions | **880,184** | 1,143,626 |
| Depreciation (refer note 5) | **709,490** | 598,045 |
| Withholding tax | **835,796** | 748,270 |
| Amortization of intangible (refer note 6) | **894,008** | 856,597 |
| Allowance / (reversal) for expected credit losses (refer note 7) | **1,852,049** | (1,956,640) |
| Write-off of receivables | **-** | 172,684 |
| Others | **4,183,618** | 3,966,441 |
| | **37,337,271** | 22,621,777 |

## 18. ZAKAT AND TAX

18.1 At 31 December accrued Zakat and Tax comprise the following:

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Accrued zakat | **12,722,611** | 12,564,647 |
| Accrued tax | **-** | 52,479 |
| **Total accrued zakat and tax** | **12,722,611** | 12,617,126 |

18.2 Zakat and tax charge for the year comprise of the following:

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Zakat charge | **5,173,642** | 4,545,099 |
| Tax charge | **10,951** | 50,102 |
| **Total charges** | **5,184,593** | 4,595,201 |

18.3 Zakat charge for the year ended December 31 has been calculated on Zakat base, the components of which are as follows:

| | ***2023 SR*** | *2022 SR* |
|---|---|---|
| Non-current assets | **148,770,581** | 237,553,507 |
| Non-current liability | **19,651,485** | 18,132,247 |
| Opening share-holders equity | **325,490,492** | 336,378,587 |
| Net income before zakat | **38,025,511** | 34,004,397 |

**18. ZAKAT AND TAX (continued)**

18.4 Movement in accrued Zakat during the year ended 31 December is as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| As at 1 January | **12,564,647** | 13,725,484 |
| Zakat charges for the year | **5,173,641** | 4,545,099 |
| Payments during the year | **(5,015,677)** | (5,705,936) |
| As at December 31 | **12,722,611** | 12,564,647 |

**18.5 Zakat status**

In respect to the year 2015, the Parent Company escalated it's objection, through the General Secretariat of Tax Committees portal in order to assign a hearing session with the Committee for Resolution of Tax Violations and Disputes "CRTVD". The CRTVD issued its decision, which resulted in Zakat differences of SR 723,292. The Parent Company submitted their appeal against the said decision to The Appeal Committee for Tax Violations and Disputes (ACTVD), which is still under review by ACTVD till date.

In respect to the year 2016 ZATCA issued the Zakat assessment for the said year claiming Zakat differences of SR 1,315,150. The Parent Company settled an amount of SR 352,195 and objected against the remaining differences. Then, ZATCA issued the revised Zakat assessment, which showed a decrease of the Zakat differences to SR 57,248. The Parent Company settled the said difference and finalized it status for the said year.

In respect to the year 2017 ZATCA issued the Zakat assessment for the said year claiming Zakat differences of SR 883,189. The Company settled an amount of SR 414,380 and objected against the remaining differences. Then, ZATCA issued the revised Zakat assessment, which showed a decrease of the Zakat differences to SR 412,195. Thus, the Company escalated its objection, through the General Secretariat of Tax Committees portal in order to assign a hearing session with the Committee for Resolution of Tax Violations and Disputes "CRTVD".

The Parent Company filed its Zakat returns for the years ended 31 December 2018 to 2022 and obtained the final Zakat certificates up to the FY22. However, ZATCA did not finalize the study of the said years up to date.

**19. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share have been computed by dividing the profit for the year attributable to the owners of the parent Company by the number of shares outstanding during the year. The working for diluted earnings per share is not applicable to the Group.

The earnings per share calculation is given below:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| Profit for the year – attributable to the owner of the company | **34,757,061** | 31,392,832 |
| Weighted average number of shares outstanding | **20,000,000** | 20,000,000 |
| Profit per share (Saudi Riyals) – basis and diluted | **1.74** | 1.57 |

## 20. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, Partners, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

| ***Name*** | ***Relationship*** |
|---|---|
| Saudi Economic and Development Holding Company | Shareholder |
| SEDCO Capital Total Return Fund | Fund under management |
| SEDCO Capital High Conviction Fund | Fund under management |
| SEDCO Capital Built to Suit Real Estate Fund I | Fund under management |
| SEDCO Capital Treasury Money Market Fund | Fund under management |
| SEDCO Capital REIT fund | Fund under management |
| Rikaz SEDCO Capital Fund | Fund under investment management |
| Masar SEDCO Capital Real Estate Fund | Fund under investment management |
| SEDCO Capital- Ajdan Fairmont Fund | Fund under investment management |
| SEDCO Capital Inspire Boulevard Fund | Fund under investment management |
| SEDCO Capital MASIC Fund | Fund under investment management |
| Private Investments Portfolio | Shareholders Group |
| Elaf Hotels Company | Shareholders Group |
| Methak Investment Holding Company | Shareholders Group |
| Elaf for Travel and Tourism Company | Shareholders Group |
| Rushd International Real Estate Company | Shareholders Group |
| Intimaa Real Estate Services Company | Shareholders Group |
| Al Jazirah Equipment Company | Shareholders Group |
| Board of Directors | Key Management personnel |
| Executive Management of the Company | Key Management personnel |

The significant related party transactions for the year ended December 31 and balances arising therefrom are as follows:

### *a) Transactions with key management personnel*

Key management personnel comprise senior executive management and the Board of Directors. Details of the remuneration charged to the consolidated statement of profit or loss and relevant balances outstanding at the year-end are as follows:

| | ***Amount of transaction during the year*** | | ***Closing balance receivable / (payable)*** | |
|---|---|---|---|---|
| | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| Board of Directors | **2,100,638** | 2,081,889 | **162,788** | - |
| Executive Management of the Company | **28,205,718** | 18,121,362 | **20,021,158** | 5,031,250 |

**20. RELATED PARTY TRANSACTIONS (continued)**

***b) Advisory and management services***

| | ***Amount during the year*** | | ***Closing balance*** | |
|---|---|---|---|---|
| | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| Saudi Economic and Development Holding Company | **19,006,307** | 19,717,881 | **16,362,173** | 19,946,456 |
| Methak Investment Company | **2,022,769** | 13,211,094 | **1,024,084** | 3,362,350 |
| SEDCO Capital REIT fund | **33,850,915** | 24,384,997 | **15,241,346** | 16,776,662 |
| SEDCO Capital Built to Suit Real Estate Fund 1 | **5,625** | 270,937 | - | 142,500 |
| SEDCO Capital treasury Money Market Fund | **5,348,838** | 1,697,659 | **1,528,589** | 845,398 |
| Private Investment Portfolio | **524,215** | 578,534 | **564,391** | 677,106 |
| Rikaz SEDCO Capital Fund | **3,955,500** | - | **3,955,500** | - |
| Masar SEDCO Capital Real Estate Fund | **6,200,000** | - | **6,200,000** | - |
| SEDCO Capital- Ajdan Fairmont Fund | **4,450,000** | - | **4,450,000** | - |
| SEDCO Capital Inspire Boulevard Fund | **13,400,000** | - | **13,400,000** | - |
| SEDCO Capital MASIC Fund | **11,578,866** | - | **11,578,866** | - |
| SEDCO Capital Ishbiliyah Fund | **200,000** | - | **200,000** | - |

***c) Payment on behalf***

| | ***Amount during the year*** | | ***Closing balance*** | |
|---|---|---|---|---|
| | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| SEDCO Capital Built to Suit Real Estate Fund I | - | 1,250 | **323,931** | 323,931 |
| Rushd International Real Estate Company | - | - | **7,500** | 7,500 |
| SEDCO Capital REIT Fund | **3,001,771** | 491,002 | **400,564** | 491,002 |

***d) Dividend income***

| | ***Amount during the year*** | | ***Closing balance*** | |
|---|---|---|---|---|
| | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| SEDCO Capital REIT Fund | **192,255** | 267,422 | - | 68,268 |

## 20. RELATED PARTY TRANSACTIONS (continued)

### *e) Expense borne*

| ***Transactions with*** | ***Nature of the transaction*** | ***Transactions during the year*** | | ***Closing balance*** | |
|---|---|---|---|---|---|
| | | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| Saudi Economic and Development Holding Company | Cross charges for shared | **3,200,000** | 3,300,000 | **4,269,464** | 4,342,353 |
| Elaf Hotels Company | Accommodation services | **138,945** | 21,683 | **20,772** | - |
| Elaf for Travel and Tourism Company | Travel and tourism services | **437,034** | 757,180 | **197,862** | - |
| Intimaa Real Estate Services Company | Office rent and other services | **1,187,189** | 1,125,386 | - | - |

### *f) Investments*

| | ***Amount during the year*** | | ***Closing balance*** | |
|---|---|---|---|---|
| | ***2023 SR*** | *2022 SR* | ***2023 SR*** | *2022 SR* |
| SEDCO Capital treasury Money Market Fund | **(52,501,800)** | (7,649,006) | - | 52,501,800 |
| SEDCO Capital REIT fund | **(2,108,638)** | 3,887,038 | **1,778,401** | 3,887,038 |

## 21. CAPITAL MANAGEMENT

The Group objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Capital Market Authority (CMA) has issued Prudential Regulations (the “Rules”) dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I.

The CMA issued amendments to the Prudential Rules that came into effect on 1 April 2023 (corresponding to 10 Ramadhan 1444H). The requirements for Capital Adequacy as per the latest amendment differ from the prior requirements. Accordingly, the Company has calculated its minimum capital required and capital adequacy ratios for the year ended 2022 and the year ended 2023 as follows:

| | ***2023 SR*** |
|---|---|
| **Capital base:** | |
| Tier I capital | **359,929,731** |
| Tier II capital | **-** |
| **Total** | **359,929,731** |

**21. CAPITAL MANAGEMENT (continued)**

| | ***2023*** |
|---|---|
| | ***SR*** |
| **Minimum capital requirement:** | |
| Credit Risks | **1,197,756,958** |
| Market Risks | **83,986,180** |
| Operational Risks | **428,160,592** |
| **Total** | **1,709,903,730** |
| Total ratio | **21.05%** |
| **Surplus in Capital** | **223,137,432** |

| | *2022* |
|---|---|
| | *SR* |
| Capital base: | |
| Tier I capital | 331,543,576 |
| Tier II capital | (65,680) |
| Total | 331,477,896 |
| Minimum capital requirement: | |
| Credit Risks | 193,557,096 |
| Market Risks | 7,094,427 |
| Operational Risks | 24,025,750 |
| Total | 224,677,273 |
| Capital adequacy ratio (time) | 1.48 |
| Surplus in Capital | 106,800,623 |

**22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**a) Financial assets**

Following are the categories of financial assets as per consolidated statement of financial position:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Measured at amortized cost** | | |
| Murabaha investments | **16,323,867** | 13,579,827 |
| Trade receivables | **27,054,063** | 38,727,215 |
| Due from related parties | **118,915** | 119,750 |
| Employee loans and advances | **5,654,922** | 4,485,516 |
| Other current assets | **34,605,857** | 29,419,488 |
| | **83,757,624** | 86,331,796 |
| **Measured at FVTPL** | | |
| Investment fund | **70,194,551** | 125,774,419 |
| Public equities and fund | **37,419,520** | 72,136,154 |
| Private equities and fund | **41,020,561** | 84,827,481 |
| | **148,634,632** | 282,738,054 |
| | **232,392,256** | 369,069,850 |

## 22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### b) Financial liabilities

Following are the categories of financial liabilities as per consolidated statement of financial position:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Measured at amortized cost** | | |
| Trade payables | **8,696** | 161,546 |
| Employee related accruals | **55,709,120** | 38,727,215 |
| Accrued professional fees | **4,494,461** | 7,124,002 |
| Due to related parties | **4,488,098** | 4,342,353 |
| Others | **13,508,707** | 29,458,730 |
| | **78,209,082** | 79,813,846 |

### 22.1 Financial Instrument Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

***Risk management framework***
Risk management is carried out by senior management of the Group under policies approved by the Board of Directors of the Group. Senior management identifies, evaluates and manages financial risks. The most important types of risk are market risk, credit risk, and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive committee is responsible for developing and monitoring the Group's risk management policies.

The Group audit committee oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade receivables and accrued income, murabaha investments, financial investments, trade payable, and other current liabilities. The particular recognition methods adopted are disclosed in the respective policy statements associated with each item.

***Market risk***
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

## 22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 22.1 Financial Instrument Risk Management(continued)

***Interest rate risk***
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at the reporting date, the Group's exposure to interest rate risk is represented by murabaha investments and loans and borrowings which bear floating interest rate. The Group manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis. As at the reporting date, a 10 bps increase / decrease in interest rates with all other variables held constant will increase / decrease the profit for the year by SR 16,323 (2022: SR 13,579).

***Currency risk***
The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group's exposure to the risk of changes in foreign rates relates primarily to its investment in equity instruments. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyal and US Dollars during the year. Since the Saudi Arabian Riyal is pegged to the US dollar, accordingly, the Group is not exposed to significant foreign currency risk.

***Price risk***
The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed price risk with respect to financial investments carried at fair value. The investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 4 to these consolidated financial statements. As at 31 December 2023, the Group's overall exposure to price risk is limited to the fair value of those positions, whereby a 10% (2022: 10%) change in market values/net asset values would have affected the profit for the year by SR + / - 14.9 million (2022: SR + / - 28.2 million).

***Credit risk***
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers and counter parties. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information such as:

a) Actual or expected significant adverse changes in business,
b) Actual or expected significant changes in the operating results of the counterparty,
c) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,
d) Significant increase in credit risk on other financial instruments of the same counterparty,
e) Significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | | | *Trade receivable days past due* | | | |
|---|---|---|---|---|---|---|
| | ***Not past due*** | ***<90*** | ***90-180*** | ***181-365*** | ***>365*** | ***Total*** |
| | ***SR*** | ***SR*** | ***SR*** | ***SR*** | ***SR*** | ***SR*** |
| **31 December 2023** | | | | | | |
| **Gross carrying amount** | **1,488,745** | **499,855** | **153,986** | **1,757,180** | **1,141,578** | **5,041,344** |
| **Expected credit losses** | **21,222** | **4,774** | **5,359** | **77,067** | **1,141,578** | **1,250,000** |
| | **1,467,523** | **495,081** | **148,627** | **1,680,113** | **-** | **3,791,344** |
| | **1.4%** | **1.0%** | **3.5%** | **4.4%** | **100.0%** | |

**22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

**22.1 Financial Instrument Risk Management (continued)**

***Credit risk (continued)***

| | | *Trade receivable days past due* | | | | |
|---|---|---|---|---|---|---|
| | *Not past due* | *<90* | *90-180* | *181-365* | *>365* | *Total* |
| | *SR* | *SR* | *SR* | *SR* | *SR* | *SR* |
| 31 December 2022 | | | | | | |
| Gross carrying amount | 2,752,369 | 447,462 | 359,337 | 222,408 | 804,976 | 4,586,552 |
| Expected credit losses | 79,614 | 31,830 | 42,521 | 41,059 | 804,976 | 1,000,000 |
| | 2,672,755 | 415,632 | 316,816 | 181,349 | - | 3,586,552 |
| | 3% | 7% | 12% | 18% | 100% | |

Financial assets are written off when there are no reasonable expectations of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the consolidated statement of profit or loss and other comprehensive income. The Group measures the expected credit loss of trade receivables from individual customers based on historical trend, industry practices and the business environment in which the entity operates.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and Murabaha deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the consolidated statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia and internationally. The Group's gross maximum exposure to credit risk at the reporting date is as follows:

| | ***2023*** | *2022* |
|---|---|---|
| | ***SR*** | *SR* |
| **Financial assets** | | |
| Account receivables | **27,054,063** | 39,727,214 |
| Employee loans and advances | **5,654,922** | 4,485,516 |
| Other current financial assets | **34,605,857** | 29,016,233 |
| Bank balances | **89,764,695** | 5,987,016 |
| Advances against investments and to suppliers | **205,000** | 434,000 |
| Murabaha investments | **16,323,867** | 13,579,827 |
| | **173,608,404** | 92,229,806 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash promissory note, security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment.

Credit risk on bank balances is limited as the bank balances are held with banks with sound credit ratings. Financial position of related parties is stable. There were no past due or impaired receivables from related parties.

## 22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 22.1 Financial Instrument Risk Management (continued)

***Liquidity risk***

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, assets are managed with liquidity in perspective, maintaining a healthy balance of cash and cash equivalents. Moreover, the maturity profile of financial assets and liabilities is monitored on a regular basis to identify mismatches.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

| ***31 December 2023*** | ***Carrying value SR*** | ***Gross undiscounted value SR*** | ***Contractual cash flows 1 year or less SR*** |
|---|---|---|---|
| Account payables | **8,696** | **8,696** | **8,696** |
| Due to related parties | **4,488,098** | **4,488,098** | **4,488,098** |
| Other liabilities | **13,508,707** | **13,508,707** | **13,508,707** |
| | **18,005,501** | **18,005,501** | **18,005,501** |

| *31 December 2022* | *Carrying value SR* | *Gross undiscounted value SR* | *Contractual cash flows 1 year or less SR* |
|---|---|---|---|
| Account payables | 161,546 | 161,546 | 161,546 |
| Due to related parties | 4,342,353 | 4,342,353 | 4,342,353 |
| Other liabilities | 4,440,829 | 4,440,829 | 4,440,829 |
| | 8,944,728 | 8,944,728 | 8,944,728 |

### 22.2 Fair Values

***Fair value information for financial instruments at fair value***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## 22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 22.2 Fair Values (continued)

***Fair value information for financial instruments at fair value (continued)***

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

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

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It doesn't include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

| ***31 December 2023*** | ***Carrying amount SR*** | ***Fair value*** ***Level 1 SR*** | ***Level 3 SR*** | ***Total SR*** |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Mutual funds | **70,194,551** | - | **70,194,551** | **70,194,551** |
| Public equities and funds | **37,419,520** | **37,419,520** | - | **37,419,520** |
| Private equities and funds | **41,020,560** | - | **41,020,560** | **41,020,560** |
| | **148,634,631** | **37,419,520** | **111,215,111** | **148,634,631** |

| *31 December 2022* | *Carrying amount SR* | *Fair value* *Level 1 SR* | *Level 3 SR* | *Total SR* |
|---|---|---|---|---|
| Financial assets measured at fair value | | | | |
| Mutual funds | 125,774,419 | - | 125,774,419 | 125,774,419 |
| Public equities and funds | 72,136,156 | 72,136,156 | - | 72,136,156 |
| Private equities and funds | 84,827,480 | - | 84,827,480 | 84,827,480 |
| | 282,738,055 | 72,136,156 | 210,601,899 | 282,738,055 |

***a) Valuation technique and significant unobservable inputs for financial instruments at fair value***

The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analyzed below:

The Group utilizes fund manager reports (and appropriate discounts or hair-cuts where required) for the determination of fair values of private equity funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method, etc.) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

## 22. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

### 22.2 Fair Values (continued)

***a) Valuation technique and significant unobservable inputs for financial instruments at fair value (continued)***

Similarly, for private equites not held via funds, the Group carries out fair valuation of its equity interest by the following techniques:

*Discounted cash flows*: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate. Significant unobservable inputs embedded in the models used include expected cash flows, risk-adjusted discount rate and terminal growth rates. The estimated fair value would increase (decrease) if:

- the expected cash flows were higher (lower); or
- the risk-adjusted discount rate was lower (higher).

*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee. Significant unobservable inputs embedded in the models used include adjusted market multiples and marketability discounts.

The estimated fair value would increase (decrease) if the adjusted market multiple is higher (lower).

## 23. CONTINGENCIES, COMMITMENTS

There are no contingencies and commitments as at other than Zakat related contingencies as are disclosed in note 18.

## 24. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events subsequent to the statement of financial position date which requires adjustments of or disclosure in the financial statements or notes thereto.

## 25. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current period presentation, which are not material in nature to the Group’s consolidated financial statements as a whole.

## 26. FIDUCIARY ASSETS

As at the balance sheet date, the Group’s fiduciary assets (represented by assets under management and advisory) amounted to SR 25.7 billion (2022: SR 23.5 billion).

## 27. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Group’s board of directors on 27 March 2024G, (corresponding to 17 Ramadhan 1445H).