EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)

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OPINION

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

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

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

BASIS FOR OPINION

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA - CLOSED JOINT STOCK COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

PKF

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA - CLOSED JOINT STOCK COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

For Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 07 Ramadan 1444H
Corresponding to: 29 March 2023

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EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	**December 31, 2022 SR**	December 31, 2021 SR
ASSETS			
Non-current assets			
Property and equipment	5	**457,019**	718,261
Intangible assets	6	**63,339**	24,757
Right-of-use assets	7	**1,399,794**	2,046,592
Investment held at FVTPL	8	**10,000,000**	10,000,000
Total non-current assets		**11,920,152**	12,789,610
Current assets			
Cash and cash equivalents	12	**22,496,502**	80,236,865
Term deposit	11	**65,000,000**	-
Due from related parties	9	**3,791,355**	2,373,601
Trade and other receivables	10	**20,491,487**	10,689,359
Total current assets		**111,779,344**	93,299,825
TOTAL ASSETS		**123,699,496**	106,089,435
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**100,000,000**	100,000,000
Statutory reserve	14	**1,765,699**	-
Retain earnings / accumulated losses		**6,746,683**	(9,144,611)
Other reserves		**902,130**	1,159,711
Total equity		**109,414,512**	92,015,100
LIABILITIES			
Non-current liability			
Employees defined benefit obligations	15	**1,806,235**	1,978,446
Lease liabilities	7	**1,265,435**	494,597
Total non-current liability		**3,071,670**	2,473,043
Current liabilities			
Lease liabilities	7	**494,597**	1,276,701
Zakat payable	16	**3,286,701**	2,702,202
Due to a related parties	9	**2,337,321**	1,894,712
Trade and other payables	17	**5,094,695**	5,727,677
Total current liabilities		**11,213,314**	11,601,292
TOTAL LIABILITIES		**14,284,984**	14,074,335
TOTAL EQUITY AND LIABILITIES		**123,699,496**	106,089,435

The accompanying notes (1) through (29) form an integral part of these financial statements.

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHESIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Revenues	18	**40,395,433**	35,316,152
General and administrative expenses	19	**(17,474,491)**	(17,004,119)
INCOME FROM MAIN OPERATIONS		**22,920,942**	18,312,033
Other expenses, net	20	**(2,178,515)**	(411,555)
Finance cost	7,15	**(126,922)**	(135,262)
Special commission income	21	**126,916**	3,665,579
Profit before zakat		**20,742,421**	21,430,795
Zakat expense	16	**(3,085,428)**	(2,650,000)
Profit for the year		**17,656,993**	18,780,795
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement losses of employees defined benefit obligations	15	**(257,581)**	(240,787)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,399,412**	18,540,008

The accompanying notes (1) through (29) form an integral part of these financial statements.

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGE IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital SR	Statutory reserve SR	Retain earnings / accumulated losses SR	Other reserve SR	Total SR
Balance at January 1, 2021	100,000,000	-	(27,925,406)	1,400,498	73,475,092
Profit for the year	-	-	18,780,795	-	18,780,795
Other comprehensive loss for the year	-	-	-	(240,787)	(240,787)
Total comprehensive income for the year	-	-	18,780,795	(240,787)	18,540,008
Balance at December 31, 2021	100,000,000	-	(9,144,611)	1,159,711	92,015,100
Profit for the year	**-**	**1,765,699**	**15,891,294**	**-**	**17,656,993**
Other comprehensive loss for the year	**-**	**-**	**-**	**(257,581)**	**(257,581)**
Total comprehensive income for the year	**-**	**1,765,699**	**15,891,294**	**(257,581)**	**17,399,412**
Balance at December 31, 2022	**100,000,000**	**1,765,699**	**6,746,683**	**902,130**	**109,414,512**

The accompanying notes (1) through (29) form an integral part of these financial statements.

EMIRATES NBD CAPITAL KSA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

		December 31, 2022 SR	December 31, 2021 SR
CASH FLOWS FROM OPERATING ACTIVITIES	*Note*		
Profit before zakat		**20,742,421**	21,430,795
Adjustments for:			
Depreciation of right-of-use assets	*7*	**646,798**	646,797
Depreciation and amortization	*5,6*	**342,540**	341,391
Employees defined benefit obligations	*13*	**328,147**	507,588
Finance cost	*7,15*	**126,922**	135,265
Operating cash flows before movements in working capital		**22,186,828**	23,061,836
Movements in working capital:			
Trade and other receivables		**(9,803,175)**	(2,342,459)
Due from related parties		**(1,417,754)**	(1,004,583)
Trade and other payables		**(632,982)**	1,716,904
Due to a related party		**442,609**	391,706
Net cash generated from operations		**10,775,526**	21,823,404
Zakat paid	16	**(2,500,929)**	(7,327,445)
Employees defined benefit obligations paid	*15*	**(272,680)**	(262,920)
Net cash generated from operating activities		**8,001,917**	14,233,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement in term deposits		**(65,000,000)**	(187,000,000)
Term deposits matured during the year		**-**	227,000,000
Purchase of property and equipment		**(52,380)**	-
Investment held at FVTPL		**(67,500)**	(10,000,000)
Net cash (used in) / generated from investing activities		**(65,119,880)**	30,000,000
CASH FLOWS FROM FINANCING ACTIVITY			
Repayment of principal portion of lease liability		**(622,400)**	(622,400)
Net cash used in financing activity		**(622,400)**	(622,400)
Net change in cash and cash equivalents		**(57,740,363)**	43,610,639
Cash and cash equivalents at the beginning of the year		**80,236,865**	36,626,226
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**22,496,502**	80,236,865
Significant non-cash transactions:			
Re-measurement losses of employees defined benefit obligations		**257,581**	240,787

The accompanying notes (1) through (29) form an integral part of these financial statements.

1. ORGANIZATION AND ACTIVITIES

Emirates NBD Capital KSA (the "Company") is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010248476 dated 13 Rabi Thani 1429H (corresponding to April 19, 2008).

The Company is owned 95% by Emirates NBD Bank (the "Bank"), registered in the United Arab Emirates and 5% by Emirates Financial Services, a subsidiary of the Bank.

On January 12, 2018, the Company's legal form was converted from a limited liability company to a closed joint stock company. The share capital and shareholders of the Company have remained unaltered after the conversion, except for the total number of shares which has been changed from 145,000 share of SR 1,000 each to 14,500,000 share of SR 10 each. The Company has obtained the approval from the Ministry of Commerce and Investment for this conversion.

The principal activities of the Company are trading as principle, agent and underwriting, managing, arranging, advising and custodial services in accordance with license number 07086-37 dated 8 Shaba'an 1428H (corresponding to 21 August 2007) from the Capital Market Authority ("CMA").

The registered address of the Company is as follows:

Emirates NBD Capital KSA
P.O. Box 34177
Prince Turki Al Awwal Road
Riyadh 11333, Kingdom of Saudi Arabia

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively hereafter referred to as "IFRS as endorsed in KSA") and in compliance with the applicable requirements of the Regulations of Companies in the Kingdom of Saudi Arabia.

Historical cost convention
The financial statements have been prepared on a going concern basis under conventional historical cost. For employee defined benefit obligations which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Historical cost convention (Continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

Foreign currency translation

(a) Reporting currency
These financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Company.

(b) Transactions and balances
Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
The Company recognizes financial assets on trade date basis at which the Company becomes a part to the contracted provisions of the investment.

All recognized financial assets are subsequently measured in their entirety at amortized cost using the effective interest rate (“EIR”) method (if the impact of discounting or any transaction costs is significant).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (Continued)

Interest income from these financial assets is included in finance income. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income / expenses.

Classification of financial assets
The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Amortized cost
Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is 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 interest on the principal amount outstanding.

Fair value through profit or loss (FVTPL)
Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss. These are initially recognized at fair value and transaction costs are charged to expenses in profit and loss account.

Fair value through other comprehensive income (FVTOCI)
Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings / (accumulated losses) and is not reclassified to statement of profit or loss. Dividends are recognized in profit or loss unless the dividend represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve.

The Company does not have any financial asset that meets the criteria to be classified as subsequently measured at 'fair value through other comprehensive income' nor it has elected to irrevocably designate its financial assets to be subsequently measured at 'fair value through other comprehensive income'.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (Continued)

Effective interest method (Continued)

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the EIR method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the EIR to the gross carrying amount of the financial asset.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalent and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss (“ECL”) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (Continued)

by the assets' gross carrying amount at the reporting date; the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (Continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on the financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

3. When there is a long outstanding debt and a similar past experience exists; or
4. Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

5. significant financial difficulty of the issuer or the borrower
6. a breach of contract, such as a default or past due event
7. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
8. it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
9. the disappearance of an active market for that financial asset because of financial difficulties.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (Continued)

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner and when there is a past similar experience of default for such transaction. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities
Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortized cost.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Offsetting of financial assets and liabilities
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, bank current accounts and term deposits held with banks, all of which are available for use by the Company unless otherwise stated and have original maturities of three months or less from acquisition date, which are subject to an insignificant risk of changes in value.

Term deposits
Term deposits are time deposits with original maturities for over three months. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Profit Rate ("EPR") method, less impairment. Amortised cost is calculated by taking into account any

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Term deposits (Continued)

discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in special commission income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method to allocate the costs of the related assets over the estimated useful lives as shown in note 5.

The Company applies the following useful lives to its property and equipment:

Furniture and fixtures	4 years
Office equipment and computers	4 years

Leasehold improvements are depreciated over the shorter of their useful lives or the lease term.

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognised on a prospective basis.

Impairment of non-financial assets
The Company assesses at the audit of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units ‘CGU’). Recoverable amount is the higher for which of an asset’s fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset’s recoverable amount since the last impairment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Impairment of non-financial assets (Continued)

loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

Intangible assets
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Company applies an annual rate of amortization over 4 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Zakat
The Company is subject to the Regulations of the General Authority of Zakat and Income Tax (“GAZT”) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Value-added tax (“VAT”)
Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Employee benefits

Employees defined benefit obligations

Employees defined benefit obligations are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

The discount rate used is determined based on the Company's external actuary's rate model which is based on high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases
The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

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

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

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

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

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 – Leases permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets:

The Branch has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment The Branch recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Revenue recognition

The Company uses the five-step model of revenue recognition as described in IFRS 15 – Revenue from Contracts with Customers. In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Revenue recognition (Continued)

Identification of performance obligations:
At the inception of each contract entered into with a customer, the Company identifies the services promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations.

Services promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

Allocation of the transaction price:
The Company determines the transaction price in accordance with the requirements of IFRS 15 and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimable).

Recognition of revenue allocated to each performance obligation:
The Company recognizes the revenue from each performance obligation over time based on the measure of progress towards complete satisfaction of the performance obligation. This is based on the Company's assessment that the customer simultaneously receives, and consumes the benefit embodied in, the services.

The Company's approach to assessment of measure of progress towards complete satisfaction of each performance obligation varies depending upon the nature of the promised services.

The Company is in the business of providing arranging, dealing, asset management and custody services. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services. Specific details for each type of revenue are set out below:

a) Arranging services fees
Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is usually acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

b) Dealing fees

The Company carries out activity under its license as principal as well as an agent. Dealing service is extended to customers for trading in Tadawul in KSA as well as UAE markets.

The Company's performance obligations represent the execution of the trades requested by the customers. Transaction price for each performance obligation is pre-agreed. Revenue is recognised at a point in time when the deals are executed by the Company.

c) Custody services fees

Securities custody activity is the regular source of income for the Company. The Company is providing service relating to equity custody as well as real estate custody. Customers appoint the Company to be the custodian of assets pledged as collateral or being the custodian of the real-estate properties for real estate funds.

Agreements by the Company are entered into either on a fixed fee or based on a percentage of asset values. The fees are defined in the agreement and there is no variable consideration identified in the agreements. The Company's obligations are defined to be being the custodian of the assets. The services are performed over time and revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

d) Asset management services fees

Asset management services involve managing securities belonging to other parties in circumstances involving the exercise of discretion. Asset management fees is charged to the funds under the management of the Company and other discretionary portfolios. The Company's performance obligation as per these agreements is to manage the assets under these funds and trading in the market for value maximization.

The Company's performance obligation is satisfied over time as asset management services is a continuous supply of services to the customer. Revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets under management:
The Company offers asset management services to funds. The assets of such funds are not treated as assets of the Company and accordingly are not included in the financial statements.

Clients' cash accounts and assets:
Clients' cash accounts and assets are not treated as assets of the Company and accordingly are not included in the financial statements.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

3.1 New standards, amendments to standards and interpretations

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the Company.

- COVID-19 - Related Rent Concessions (Amendments to IFRS 16);
- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current, applicable for the period beginning on or after January,1, 2022;
- Onerous contracts - Cost of Fulfilling a contract (Amendments to IAS 37);
- Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Reference to Conceptual Framework (Amendments to IFRS 3).

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

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective up to the date of issuance of the Company's financial statements. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient;
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction;
- IFRS 17, 'Insurance contracts', as amended in December 2021; and
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical accounting judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (refer to note 4.2 below), that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

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

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.1 Critical accounting judgments in applying accounting policies (Continued)

Measurement of fair values

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

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

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

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

4.2 Key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Allowance for expected credit loss

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Allowance for expected credit loss (Continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Useful lives of property and equipment and intangible assets

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

Assumptions used to determine the actuarial value of the employees defined benefit obligations

The Company makes various estimates in determining the actuarial value of the employees defined benefit obligations. These estimates are disclosed in note 15.

Impairment of non-financial assets

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

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

Provision for zakat and income tax

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

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5. PROPERTY AND EQUIPMENT

	Note	Leasehold improvements	Furniture and fixtures	Office Equipment and computers	Total
		SR	**SR**	**SR**	**SR**
Cost					
January 1, 2022		**5,758,682**	**2,456,803**	**2,519,770**	**10,735,255**
Additions		**-**	**-**	**52,380**	**52,380**
December 31, 2022		**5,758,682**	**2,456,803**	**2,572,150**	**10,787,635**
Accumulated depreciation					
January 1, 2022		**5,649,496**	**1,930,119**	**2,437,379**	**10,016,994**
Charge for the year		**36,456**	**225,359**	**51,807**	**313,622**
December 31, 2022		**5,685,952**	**2,155,478**	**2,489,186**	**10,330,616**
Net book value					
December 31, 2022		**72,730**	**301,325**	**82,964**	**457,019**

	Leasehold improvements	Furniture and fixtures	Office Equipment and computers	Total
	SR	SR	SR	SR
Cost				
January 1, 2021	5,758,682	2,456,803	2,519,770	10,735,255
Additions	-	-	-	-
December 31, 2021	5,758,682	2,456,803	2,519,770	10,735,255
Accumulated depreciation				
January 1, 2021	5,613,040	1,704,758	2,375,473	9,693,271
Charge for the year	36,456	225,361	61,906	323,723
December 31, 2021	5,649,496	1,930,119	2,437,379	10,016,994
Net book value				
December 31, 2021	109,186	526,684	82,391	718,261

6. INTANGIBLE ASSETS

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 4 years.

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Cost			
Balance at the beginning of the year		**572,693**	572,693
Additions		**67,500**	-
At end of the year		**640,193**	572,693
Accumulated amortisation			
Balance at the beginning of the year		**547,936**	530,267
Charge for the year	18	**28,918**	17,669
At end of the year		**576,854**	547,936
Net book value			
At end of the year		**63,339**	24,757

7. LEASES

Right-of-use asset

The Company has a lease contract for its office space for a period of 5 years. Set out below are the carrying amount of right-of-use asset recognized and the movements during the year:

	Note	**2021 SR**	2020 SR
Cost			
Balance at the beginning of the year		**3,096,001**	1,945,153
Additions		**-**	1,150,848
At end of the year		**3,096,001**	3,096,001
Accumulated depreciation			
Balance at the beginning of the year		**1,049,409**	402,612
Charge for the year	18	**646,798**	646,797
At end of the year		**1,696,207**	1,049,409
Net book value			
At end of the year		**1,399,794**	2,046,592

7. LEASES (Continued)

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	2022 SR	2021 SR
Balance at the beginning of the year	**1,771,298**	1,145,829
Additions during the year	**510,915**	1,150,848
Payments made during the year	**(619,200)**	(622,400)
Accretion of interest	**97,019**	97,021
At end of the year	**1,760,032**	1,771,298

	2022 SR	2021 SR
Current Portion		
Lease payment	**1,265,435**	1,276,701
Non-current portion		
Lease payment	**494,597**	494,597
	1,771,298	1,771,298

The following are the amounts recognized in profit or loss:

	Note	**2022 SR**	2021 SR
Depreciation of right-of-use asset		**646,798**	646,797
Interest expense on lease liabilities		**97,019**	97,021
Total amount recognized in profit or loss		**743,817**	743,818

8. INVESTMENT AT FVTPL

	31 December 2022	31 December 2021
ENBD KSA Logistic Fund	**10,000,000**	10,000,000
	10,000,000	10,000,000

	Fair Value	**Carrying amount**	**Unrealized Gain**
31 December 2022	**10,000,000**	**10,000,000**	**-**
31 December 2022	**10,000,000**	**10,000,000**	**-**

9. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Emirates NDB Bank, a bank registered in – United Arab Emirates, which is also the Company's immediate parent entity.

Name of related parties with which the Company transacts usually	Relationship
Emirates NBD (the "Bank")	Shareholder
Emirates NBD Capital PSC Dubai	Shareholder
Emirates NBD Bank – KSA Branch (the "Branch")	Affiliate
Emirates NBD Capital – Dubai	Affiliate
Emirates NBD Bank – Private Banking Dubai	Affiliate
Emirates NBD Asset Management Limited	Affiliate
ENBD Securities	Affiliate

Following are the significant transactions with related parties during the year:

Related party	Nature of transactions	2022 SR	2021 SR
Emirates NBD Bank – KSA Branch ("Branch")	KSA admin services fee	**(303,600)**	214,389
	Custody fees	**2,416,753**	2,497,540
Emirates NBD Bank – Private Banking Dubai	Recharge of expenses	**(727,771)**	(393,418)
Board members	Independent Board members' fee	**240,000**	200,000
Key management personnel	Salaries and wages	**(3,841,500)**	(4,424,000)
	End-of-service benefits	**(330,277)**	(679,199)

The Company's related parties include its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms, which are approved by the management.

a) *Significant transactions with the Bank / the Branch:*

i) *Banking services*
The Bank through its Riyadh branch (the "Branch") acts as the banker of the Company. An amount of SR 22 million (December 31, 2021: SR 80 million) is held in current and deposit accounts with the Branch at the statement of financial position date (note 12).

9. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

ii) Custody fees

As per the agreement with the Private Banking Group of the Branch and Emirates NBD Dubai, the Company charges custody fees on shares held under fiduciary capacity. The income for 2022 amounted to SR 2.4 million (2021: SR 2.5 million).

b) Amounts due from and to related parties

Amounts due from related parties is as follows:

	December 31, 2022 SR	December 31, 2021 SR
Emirates NBD Bank – KSA Branch	**3,791,356**	2,369,539
Emirates NBD Capital PSC Dubai	**-**	4,062
	3,791,356	2,373,602

Amounts due to a related party are as follows:

	December 31, 2022 SR	December 31, 2021 SR
Emirates NBD – PJSC (the "Bank")	**2,337,328**	1,894,712
	2,337,328	1,894,712

10. TRADE AND OTHER RECEIVABLES

	December 31, 2022 SR	December 31, 2021 SR
Trade receivables, net*	**15,958,054**	6,914,318
Management fee receivable	**3,703,315**	2,971,164
Prepaid expenses	**815,839**	614,598
Special commission receivable	**-**	175,000
Advance to employees	**14,279**	14,279
VAT Receivable	**-**	-
	20,491,487	10,689,359

*Trade receivables, as at December 31, 2022 is stated net of an impairment provision amounting to SR 112,500 (December 31, 2021: SR 112,500).

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over accounts receivables and the vast majority is, therefore, unsecured.

11. TERM DEPOSIT

	December 31, 2022 SR	December 31, 2021 SR
Short term deposit	**65,000,000**	-
	65,000,000	-

Based on the Tadawul Exchange (Muqassa) requirements upon implementation of PTTP (Post Trade and Technology Project), collateral amount of SAR 65 Million deposited with General Clearing Member (GCM), Arab National Bank, Riyadh. The subject collateral deposit with GCM and Tadawul Exchange had not earned any interest through to31 December 2022.

All short term deposits matured and there was no balance outstanding as at 31 December 2021.

12. CASH AND CASH EQUIVALENTS

	December 31, 2022 SR	December 31, 2021 SR
Cash in hand	**10**	10
Bank balances	**22,496,492**	80,236,855
	22,496,502	80,236,865

Short term deposit of SR 50 million placed with Al Rajih Bank. It carries an annual special commission at the rates 1.1 % per annum.

During the year all short term deposits placed with the Branch were matured and there was no balance outstanding as at the year end.

The Company has an arrangement with Emirates NBD Bank – KSA Branch ("Branch") to settle brokerage transactions with Tadawul. The Branch has given a guarantee to Tadawul to settle all the transactions entered into by the Company. On the request of the Branch, the Company submitted an order note and counter guarantee agreeing not to perform any transactions exceeding the available limit agreed with the Branch. As at December 31, 2022, the Company has maintained sufficient cash balances with the Branch.

13. SHARE CAPITAL

The share capital of the Company, amounting to SR 100,000,000, is divided into 10,000,000 shares of SR 10 each (2021: 10,000,000 shares of SR 10 each).

	December 31, 2022		December 31, 2021	
Name	**Number of shares**	**%**	Number of shares	%
Emirates NBD Bank	**9,500,000**	95%	9,500,000	95%
Emirates Financial Services – Dubai	**500,000**	5%	500,000	5%
	10,000,000	100%	10,000,000	100%

14. STATUTORY RESERVE

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

15. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

	December 31, 2022 SR	December 31, 2021 SR
Balance at the beginning of the year	**1,978,446**	1,454,747
Current service cost – recognized in profit and loss	**328,147**	507,588
Interest cost – recognized in profit and loss	**29,903**	38,244
Paid during the year	**(272,680)**	(262,920)
Actuarial loss – recognized in other comprehensive income	**(257,581)**	240,787
Balance at the end of the year	**1,806,235**	1,978,446

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2022	December 31, 2021
Discount rate	**5.00%**	1.75%
Rate of salary increases	**2.00%**	2.00%

All movements in the employees defined benefit liabilities are recognized in profit or loss except for the actuarial loss which is recognized in other comprehensive income.

<u>Sensitivity analysis</u>
The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2022	December 31, 2021
Increase in discount rate of 5.5%	**30,457**	42,313
Decrease in discount rate of 4.5%	**(31,715)**	(44,363)
Increase in rate of salary increase of 2.5%	**(32,640)**	(44,205)
Decrease in rate of salary increase of 1.5%	**31,610**	42,575

The expected maturity analysis of the undiscounted defined benefit obligation for the end of service plan is as follows:

Less than a year	1-2 years	2-5 years	Over 5 years	Total
609,279	**615,784**	**608,589**	**1,470,840**	**3,304,492**

The weighted average duration of the defined benefit obligation is 3.6 years.

16. ZAKAT

The charge for the year is as follows:

	December 31, 2022 SR	December 31, 2021 SR
Current year	**(3,085,428)**	2,575,573
Prior years	**-**	74,427
	(3,085,428)	2,650,000

The significant components of the zakat base of the Company as per the filed zakat declarations, which are subject to adjustments under the zakat regulations, are as follows:

	2022 SR	2021 SR
Equity	**92,015,100**	72,960,976
Opening allowances and other adjustments	**5,699,723**	4,834,176
Book value of long term assets	**(1,920,152)**	743,018
	95,794,671	78,538,170
Adjusted profit / (loss) for the year	**21,100,471**	21,367,681
Zakat base	**116,895,142**	99,905,851
Zakat charge for the year	**3,085,428**	2,575,573

Movement in provision is as follows:

	December 31, 2022 SR	December 31, 2021 SR
At the beginning of year	**2,702,202**	7,379,647
Charge for the year	**3,085,428**	2,650,000
Prior year adjustment	**-**	-
Payments during the year	**(2,500,929)**	(7,327,445)
At the end of the year	**3,286,701**	2,702,202

The differences between the financial and adjusted Zakat table income are mainly due to certain disallowed provisions.

Status of assessments

In 2020, the Company has approached the Alternative Dispute Resolution Committee ("ADRC") to reach a settlement proposal for all the open appeal cases (i.e. 2008-2013). The ADRC approved a settlement proposal of SR 5,233,698 for the said years. In 2021, the Company settled the above amount and the zakat position for the years from 2008 to 2013 was finalized.

Moreover, in 2019, the Company received an assessment for the year 2018 amounting to SR 57,267 in which the Company has accepted and settled the said amount. Therefore, the zakat position for the year 2018 was also finalized.

The Zakat returns through the years have been submitted to the ZATCA within the statutory deadlines and Zakat due have been settled. The returns are still under review by the ZATCA and assessments have not yet been issued.

17. TRADE AND OTHER PAYABLES

	December 31, 2022 SR	December 31, 2021 SR
Bonus provision	**2,057,088**	2,000,372
Accrued expenses	**1,734,424**	1,504,314
VAT payable	**661,277**	853,222
GOSI payable	**141,253**	595,935
Unearned income	**-**	327,901
Withholding tax	**148,153**	133,433
Accrued Board of Directors' remuneration	**240,000**	200,000
Others	**112,500**	112,500
	5,094,695	5,727,677

Accrued expenses and statutory liabilities are cleared in the normal course of business.

18. REVENUE

Set out below is the disaggregation of the Company's revenue from its contracts with customers:

a) Disaggregation by type of service

	December 31, 2022 SR	December 31, 2021 SR
Arrangement fees	**19,763,859**	13,524,913
Custody fees	**2,416,753**	2,818,971
Dealing fees, net	**5,713,700**	3,416,098
Asset management fees	**12,501,121**	15,556,170
	40,395,433	35,316,152

b) Disaggregation by customer type

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Related party	9	**2,416,753**	2,497,540
Non related party		**37,978,680**	32,818,612
		40,395,433	35,316,152

c)Disaggregation of revenue by recognition principle

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Performance obligation satisfied at point in time	8	**5,713,700**	3,416,098
Performance obligation satisfied over time		**34,681,733**	31,900,054
		40,395,433	35,316,152

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**December 31, 2022 SR**	December 31, 2021 SR
Salaries and employee-related expenses		**11,631,588**	12,661,057
Legal and professional fees		**1,948,811**	784,413
Repairs and maintenance		**962,705**	754,910
Communication expense		**871,613**	713,505
Depreciation of right-of-use asset		**646,798**	646,798
Depreciation and amortization	5 & 6	**342,540**	341,391
Stationery and subscription fees		**279,061**	326,937
Independent board members remuneration		**240,000**	200,000
Utilities		**71,251**	185,200
Security charges		**156,000**	156,000
IT consultation expenses		**-**	61,914
Travel expenses		**237,926**	12,151
Other		**86,198**	159,843
		17,474,491	17,004,119

20. OTHER EXPENSES, NET

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Recharge from related parties, net	9	**727,771**	393,418
Foreign exchange loss / (gain), net		**(31,332)**	(18,137)
Commission Expense - Others		**1,482,076**	36,274
		2,178,515	411,555

21. SPECIAL COMMISSION INCOME

	Notes	**December 31, 2022 SR**	December 31, 2021 SR
Special commission income on time deposits	11,12	**126,916**	3,665,579
		126,916	3,665,579

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, due from a related party and other receivables. Financial liabilities consist of due to related parties and other payables. The fair values of financial assets and financial liabilities of the Company at the reporting date approximates their carrying values. All financial assets and financial liabilities of the Company are classified under level 3 of the fair value hierarchy.

23. FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

a) 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 of interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's term deposits are placed with the Bank with fixed interest rate. The Company does not have any significant exposure to special commission rate risk as it does not have any floating special commission rate bearing financial assets or liabilities as at the reporting date and does not carry any fixed special commission bearing financial instruments at fair value.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake any significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year. As Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk. The Company manages currency risk exposure to other currencies by continuously monitoring the currency fluctuations. As at the reporting date, the Company's exposure to foreign currency balances was not significant.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings and usually with the parent entity. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

23. FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (Continued)

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	Note	**December 31, 2022 SR**	December 31, 2021 SR
Cash and cash equivalents*		**22,496,492**	80,236,855
Term deposit	11	**65,000,000**	-
Due from related parties		**3,791,355**	2,373,604
Trade and other receivables		**20,491,487**	10,689,359
		111,779,334	93,299,818

** excluding cash in hand*

The Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for receivables. In respect of interest-bearing financial assets which comprises of term deposits, the Company applies IFRS 9 general approach to measure expected credit losses. As of 31 December 2022, the Company has calculated the ECL on the above exposures, however, due to the amount being minimum it is not recorded in the financial statements.

24. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders and from bank facilities.

The below schedule shows an analysis of financial liabilities based on the expected date of settlement:

	Carrying amount	**0 to 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 12 months**
31 December 2022:					
Due to related parties	-	-	2,337,398	-	-
Current portion of lease liabilities	-	-	638,351	638,351	-
Non-current portion of lease liabilities	494,597	-	-	-	494,597
Trade and other payables	7,498,975	7,498,975	-	-	-
Total	7,993,572	7,498,975	2,975,749	638,351	494,597

As at 31 December 2022, the undiscounted value of the financial liabilities of the Company at the reporting date approximate their carrying values and are all payable within 12 months of the reporting date.

24. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base and to sustain future development of the business. For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

25. ASSETS HELD IN FIDUCIARY CAPACITY

As at December 31, 2022, client money held under fiduciary capacity amounted to SR 73.484 million (December 31, 2021: SR 130 million), and the net asset value of the assets under management held under fiduciary capacity amounted to SR 3,547 million (December 31, 2021: SR 5,311 million). These amounts were maintained with the Company by its customers for the purpose of investment, on their behalf, in the local and UAE equity market denominated in SR, AED and USD. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company.

The Company entered into custodial service agreement with a real estate fund operating in the kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as a custodian for the fund.

26. RETIREMENT BENEFIT INFORMATION

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 328,147 (2021: SR 507,588).

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The CMA has issued Prudential Rules ("the Rules") dated 17 Safar 1434H (corresponding to 30 December 2012). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules.

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO (CONTINUED)

	December 31, 2022 SR 000's	December 31, 2021 SR 000's
Capital Base:		
Tier 1 Capital	**109,351**	91,990
Tier 2 Capital	**-**	-
Total Capital Base	**109,351**	91,990
Minimum Capital Requirement:		
Market risk	**47**	308
Credit risk	**8,429**	8,264
Operational risk	**4,929**	4,285
Total minimum capital required (see note (d) below)	**13,405**	12,857
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**8.16**	7.16
Tier 1 Capital Ratio (times)	**8.16**	7.16
Surplus in the capital	**95,946**	79,133

a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and audited retained earnings) and Tier 2 capital. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules and the capital base should not be less than the minimum capital requirement.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

d) The minimum capital required as per Article 6 (g) of the Capital Market Institutions regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

28. SUBSEQUENT EVENTS

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

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 07 Ramadan 1444H (corresponding to 29 March 2023).