

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
*together with the*  
**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**

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**Ernst & Young Professional Services (Professional LLC)**  
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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ALJAZIRA CAPITAL COMPANY**

### **Opinion**

We have audited the financial statements of AlJazira Capital Company (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of income, statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

### **Basis for Opinion**

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

### **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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, 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 are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDER OF ALJAZIRA CAPITAL COMPANY (CONTINUED)**

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

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

- Identify and assess the risks of material misstatement of the 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 made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young Professional Services



Hussain Saleh Asiri  
Certified Public Accountant  
License No. 414



Riyadh: 15 Sha'ban 1445H  
(25 February 2024)

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2023  
(Saudi Arabian Riyals in thousands)

	<i>Notes</i>	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	5	2,045	36,254
Investments	6	736,060	728,327
Margin finance receivables	7	2,201,890	1,688,244
Prepayments and other current assets	8	119,687	131,097
<b>Total current assets</b>		<u>3,059,682</u>	<u>2,583,922</u>
<b>Non-current assets</b>			
Investments	6	526,921	230,118
Property and equipment, net	9	25,712	20,945
Intangible assets, net	10	10,459	9,224
Right-of-use assets, net	11	3,467	15,856
Deferred tax asset, net		343	306
<b>Total non-current assets</b>		<u>566,902</u>	<u>276,449</u>
<b>TOTAL ASSETS</b>		<u>3,626,584</u>	<u>2,860,371</u>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b>Current liabilities</b>			
Short-term borrowings	12	1,837,301	1,409,149
Accrued expenses and other current liabilities	13	347,337	149,309
Accrued zakat and income tax	14	51,579	49,379
Lease liability relating to right-of-use assets	11	2,668	5,337
<b>Total current liabilities</b>		<u>2,238,885</u>	<u>1,613,174</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	15	48,601	39,033
Lease liability relating to right-of-use assets	11	--	10,685
<b>Total non-current liabilities</b>		<u>48,601</u>	<u>49,718</u>
<b>TOTAL LIABILITIES</b>		<u>2,287,486</u>	<u>1,662,892</u>
<b>Shareholder's equity</b>			
Share capital	16	500,000	500,000
Statutory reserve		148,725	133,938
Retained earnings		679,297	546,212
Fair value reserve	6	17,265	12,561
Other reserve		(6,189)	4,768
<b>Total Shareholder's equity</b>		<u>1,339,098</u>	<u>1,197,479</u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<u>3,626,584</u>	<u>2,860,371</u>

The accompanying notes (1) through (32) form an integral part of these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF INCOME**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

	<i>Notes</i>	<u>2023</u>	<u>2022</u>
<b><u>REVENUES</u></b>			
Brokerage fees, net	<i>18</i>	<b>82,215</b>	112,188
Asset and wealth management fees, net	<i>19</i>	<b>156,724</b>	91,641
Special commission income		<b>163,061</b>	89,057
Investment banking services fees		<b>37,487</b>	40,436
Custody services fees		<b>9,782</b>	8,364
Gain on financial instruments at fair value through income statement, net	<i>20</i>	<b>12,775</b>	26,632
Dividend income		<b>49,705</b>	7,304
Other operating income		<b>1,719</b>	1,538
<b>Total revenues</b>		<b><u>513,468</u></b>	<u>377,160</u>
<b><u>EXPENSES</u></b>			
Salaries and employee related expenses		<b>133,040</b>	121,485
Depreciation on property and equipment	<i>9</i>	<b>3,408</b>	4,389
Depreciation on right-of-use assets	<i>11</i>	<b>2,460</b>	4,491
Amortisation on intangible assets	<i>10</i>	<b>1,827</b>	1,422
General and administrative expenses	<i>21</i>	<b>97,862</b>	59,666
Special commission expense	<i>12</i>	<b>103,707</b>	31,443
<b>Total operating expenses</b>		<b><u>342,304</u></b>	<u>222,896</u>
<b>Income for the year before zakat and income tax</b>		<b>171,164</b>	154,264
Zakat and income tax	<i>14</i>	<b>(23,292)</b>	(21,141)
<b>Net income for the year after zakat and income tax</b>		<b><u>147,872</u></b>	<u>133,123</u>
<b>Basic and diluted earnings per share (expressed in SAR per share)</b>	<i>22</i>	<b><u>2.96</u></b>	<u>2.66</u>

The accompanying notes (1) through (32) form an integral part of these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

	<i>Notes</i>	<b>2023</b>	2022
<b>Net income for the year</b>		<b>147,872</b>	133,123
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to statement of income</i>			
Net gain / (loss) on investment in equity instruments designated at fair value through other comprehensive income	6	<b>4,704</b>	(10,920)
Re-measurement of provision for employees' end of service benefits	15	<b>(10,957)</b>	1,310
<b>Other comprehensive loss for the year</b>		<b>(6,253)</b>	(9,610)
<b>Total comprehensive income for the year</b>		<b>141,619</b>	123,513

The accompanying notes (1) through (32) form an integral part of these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

	<b>Equity attributable to Company's shareholder</b>					
	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Fair value reserve</b>	<b>Other reserve</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	500,000	120,626	426,401	23,481	3,458	1,073,966
Net income for the year	--	--	133,123	--	--	133,123
Other comprehensive (loss) / income	--	--	--	(10,920)	1,310	(9,610)
<b>Total comprehensive income</b>	--	--	133,123	(10,920)	1,310	123,513
Transfer to statutory reserve	--	13,312	(13,312)	--	--	--
<b>Balance at 31 December 2022</b>	<u>500,000</u>	<u>133,938</u>	<u>546,212</u>	<u>12,561</u>	<u>4,768</u>	<u>1,197,479</u>
<b>Balance at 1 January 2023</b>	<b>500,000</b>	<b>133,938</b>	<b>546,212</b>	<b>12,561</b>	<b>4,768</b>	<b>1,197,479</b>
Net income for the year	--	--	147,872	--	--	<b>147,872</b>
Other comprehensive income / (loss)	--	--	--	4,704	(10,957)	<b>(6,253)</b>
<b>Total comprehensive income</b>	--	--	<b>147,872</b>	<b>4,704</b>	<b>(10,957)</b>	<b>141,619</b>
Transfer to statutory reserve	--	14,787	(14,787)	--	--	--
<b>Balance at 31 December 2023</b>	<u>500,000</u>	<u>148,725</u>	<u>679,297</u>	<u>17,265</u>	<u>(6,189)</u>	<u>1,339,098</u>

The accompanying notes (1) through (32) form an integral part of these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

	<i>Notes</i>	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		<b>147,872</b>	133,123
<i>Adjustments to reconcile net income for the year to net cash (used in) / generated from operating activities:</i>			
Depreciation on property and equipment	9	<b>3,408</b>	4,389
Depreciation on right-of-use assets	11	<b>2,460</b>	4,491
Amortisation on intangible assets	10	<b>1,827</b>	1,422
Unrealised gain on investments	20	<b>(7,488)</b>	(18,924)
Loss on disposal of property and equipment		<b>2</b>	34
Loss on disposal of intangible assets		<b>1,061</b>	--
Provision for employees' end of service benefits	15	<b>5,242</b>	4,569
Special commission expense related to lease liabilities	11	<b>94</b>	486
Zakat and income tax charge		<b>23,292</b>	21,141
		<b>177,770</b>	150,731
<b><i>Changes in operating assets and liabilities:</i></b>			
Investments		<b>(292,344)</b>	(642,668)
Margin finance receivables		<b>(513,646)</b>	257,713
Due from related party		<b>--</b>	4,004
Prepayments and other current assets		<b>11,410</b>	126,778
Accrued expenses and other current liabilities		<b>198,334</b>	85,660
Short-term borrowings		<b>428,152</b>	77,605
		<b>9,676</b>	59,823
Employees' end of service benefits paid	15	<b>(6,937)</b>	(1,409)
Zakat and income tax paid	14	<b>(21,129)</b>	(16,483)
<b>Net cash (used in) / generated from operating activities</b>		<b>(18,390)</b>	41,931
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9	<b>(8,177)</b>	(3,784)
Purchase of intangible assets	10	<b>(4,123)</b>	(6,778)
Proceeds from disposal of property and equipment		<b>--</b>	4
<b>Net cash used in investing activities</b>		<b>(12,300)</b>	(10,558)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payment of lease liabilities	11	<b>(3,519)</b>	(3,190)
<b>Net cash used in financing activities</b>		<b>(3,519)</b>	(3,190)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(34,209)</b>	28,183
Cash and cash equivalents at beginning of the year		<b>36,254</b>	8,071
<b>Cash and cash equivalents at end of the year</b>	5	<b>2,045</b>	36,254
<b><i>Non - cash items</i></b>			
Net change in investment measured at fair value through other comprehensive income	6	<b>4,704</b>	(10,920)
Re-measurement of provision for employees' end of service benefits	15	<b>(10,957)</b>	1,310
Additions to right-of-use assets	11	<b>129</b>	73

The accompanying notes (1) through (32) form an integral part of these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

**1. ORGANISATION AND ITS ACTIVITIES**

AlJazira Capital Company (the “Company”) is a Saudi Closed Joint Stock Company incorporated under Ministerial Resolution No. S/57 dated 20 Safar 1429H (corresponding to 27 February 2008) and was operating under commercial registration number 4030177603 dated 17 Rabi Awal 1429H (corresponding to 25 March 2008). During the year 2011, the commercial registration number of the Company was changed due to the relocation of the Head Office from Jeddah to Riyadh and it is now registered under commercial registration number 1010351313 dated 13 Dhul-Qadah 1433H (corresponding to 29 September 2012). The Company has a Branch in Jeddah registered under commercial registration number 4030177603.

The Company is licensed as a financial services company regulated by the Capital Market Authority (the “CMA”). The Company is engaged in dealing, arranging, managing, advising and carrying out custody activities in accordance with the CMA Resolution no. 2-38-2007 dated 8 Rajab 1428H, (corresponding to 22 July 2007) and license number 07076-37.

The Company commenced operations on 5 April 2008, by taking over the brokerage division of Bank AlJazira (the “Bank”).

The registered address of the Company is:

AlJazira Capital  
King Fahad Road  
Al Rahmaniyah District  
P.O. Box 20438  
Riyadh 11455  
Kingdom of Saudi Arabia

**2. BASIS OF PREPARATION**

**2.1 *Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS” or “Standards”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”) and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

The new Companies Law issued through Royal Decree M/132 on 1 Dhul-Hijjah 1443H (corresponding to 30 June 2022) came into force on 26 Jumadal-Akhirah 1444 H (corresponding to 19 January 2023). Accordingly, the Company has updated its By-laws to comply with the provisions of new Companies Law.

**2.2 *Basis of measurement***

These financial statements have been prepared on a historical cost basis, except for measurement at fair value of derivatives, investments at fair value through income statement and at fair value through other comprehensive income, using the accrual basis of accounting and the going concern concept. Further, employees’ end of service benefits are measured at present value of future obligations using the Projected Unit Credit Method.

**2.3 *Functional and presentation currency***

These financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**ALJAZIRA CAPITAL COMPANY**  
(A Saudi Closed Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

**2. BASIS OF PREPARATION (CONTINUED)**

**2.4 *Critical accounting estimates and judgments***

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Significant areas where management has used estimates, assumptions and exercised judgments are as follows:

- Measurement of the expected credit loss allowance – notes 3(b) and 24.2
- Fair value of financial instruments – note 26
- Employees' end of service benefits – notes 3(i) and 15
- Depreciation and amortisation – notes 3(e), 3(f), 9 and 10
- Consolidation of structured entities – note 3(b)

**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

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

**(a) *Current versus non-current classification***

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:

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

All other assets including deferred tax asset are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

**(b) *Financial instruments***

**Recognition and initial measurement**

The Company initially recognises financial assets and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

**ALJAZIRA CAPITAL COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
(Saudi Arabian Riyals in thousands)

**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) *Financial instruments (continued)***

A financial asset or financial liability is measured initially at fair value plus (minus), for an item not at fair value through income statement, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through income statement are expensed in the statement of income.

**Classification and measurement of financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through income statement (“FVTIS”).

**Financial Asset at amortised cost**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTIS:

- the 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 profit on the principal amount outstanding.

**Financial Asset at FVOCI**

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTIS.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

**Financial Asset at FVTIS**

All other financial assets are classified as measured at FVTIS.

The Company invests in structured entities with the objective to resell the investment in a short period after the establishment or to generate returns from capital appreciation and periodic distributions. Structured entities are consolidated when the relationship between the Company and the structured entity indicates that the Company has power over the relevant activities of the structured entity, is exposed to variable returns, and can use that power to affect the variable return exposure. In other cases, the Company may sponsor or have exposure to such an entity but not consolidate it.

For all these investments, the Company analyses whether and to what extent it controls the investee and any underlying entities. As at 31 December 2023 and 2022, Company’s investments in material structured entities do not meet the above criteria of control. Accordingly, such investments are recorded as measured at FVTIS in these financial statements.

**ALJAZIRA CAPITAL COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) *Financial instruments (continued)***

Associates are those entities in which the Company has significant influence, but no control or joint control, over the financial and operating policies. The Company, as the Fund Manager of its associates, qualifies for the application of the exemption of equity accounting because the business objective is similar to that of a venture capital organisation in respect of an investment entity. These investments in the funds are designated on initial recognition as measured at FVTIS in accordance with IFRS 9 as the investments are part of a business model that is managed on a fair value basis.

***Business model assessment***

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

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

Financial assets that are held for trading and whose performance is evaluated, on a fair value basis are measured at FVTIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / profit' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) *Financial instruments (continued)***

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

Financial assets at FVTIS	These assets are subsequently measured at fair value. Net gains and losses, any special commission or dividend income, are recognised in the statement of income.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective commission rate method. The amortised cost is reduced by impairment losses, if any. Special commission income, foreign exchange gains and losses and impairment losses are recognised in the statement of income. Any gain or loss on derecognition is recognised in the statement of income.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the statement of income.

**Reclassifications**

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

**Impairment of financial assets**

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

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

Details of measuring the expected credit loss allowance are provided in note 24.2 to these financial statements.

**Financial liabilities**

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTIS.

**De-recognition**

The Company derecognises a financial asset (or where applicable, a part of a financial asset or a part of group of similar financial assets) when the contractual rights to receive the cash flows from the financial asset have expired, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain / loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) *Financial instruments (continued)***

The transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(c) *Derivative financial instruments***

Derivative financial instruments (i.e. forward exchange agreements) are initially measured at their fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position. The transaction costs associated with these agreements are recognised in the statement of income.

Derivative financial instruments are carried at their fair value as assets, where the fair value is positive, and as liabilities, where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

**(d) *Cash and cash equivalents***

Cash and cash equivalents comprise of cash at bank, cash in investment account, cash in hand and short-term highly liquid deposits with an original maturity of three months or less, which are available to the Company without any restrictions.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

**(e) *Property and equipment***

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the statement of income.

An item of property and equipment 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 income when the asset is derecognised.

The residual values, useful lives and method of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if required.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(e) *Property and equipment (continued)***

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Over the lease period or 24 years, whichever is shorter
Furniture, fixtures and office equipment	4 - 10 years
Motor vehicles	4 years

Capital work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalised on the related assets. Capital work in progress is not depreciated.

**(f) *Intangible assets***

The Company's intangible assets include computer software and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation on intangible assets is calculated on a straight-line basis over the estimated useful life of 4 to 6 years.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

**(g) *Leases***

On initial recognition, at inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

**Right-of-Use Assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

**Lease Liability**

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

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(g) *Leases (continued)***

After the commencement date, Company measures the lease liability by:

- Increasing the carrying amount to reflect special commission expense on the lease liability.
- Reducing the carrying amount to reflect the lease payments made; and
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**(h) *Accrued expenses and other payables***

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

**(i) *Employees' end of service benefits***

The liability for employees' end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuation being conducted at end of annual reporting periods. The related liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate used is the market yield on high quality corporate bonds or government bonds at the reporting date that have maturity dates approximating the terms of the Company's obligations.

Current service cost and the special commission expense arising on the end of service benefit liability are recorded in the statement of income. Re-measurement of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

Actuarial valuation involves making various assumptions, including the determination of discount rate and future salary increases, which may differ from the actual developments in future. Due to the complexity of valuation and its long-term nature, a defined benefit obligation is highly sensitive to the change in these assumptions. All assumptions are reviewed at each reporting date.

**(j) *Borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the repayment amount is recognised in the statement of income over the period of borrowings using the effective commission rate method.

**(k) *Zakat and income tax***

*Zakat and income tax*

Zakat and income tax is computed in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia.

Zakat and income tax is charged to statement of income and is payable to the Bank who settles the zakat and income tax liability of the Company as part of its consolidated zakat and income tax return.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(k) *Zakat and income tax (continued)***

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are recognised to the extent that it is probable that the related tax benefit will be realised.

**(l) *Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

**(m) *Statutory reserve***

In accordance with Company's by-laws, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholder.

**(n) *Impairment on non-financial assets***

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Impairment losses in respect of non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(o) *Revenue recognition***

The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services. The Company applies the following five-step approach to revenue recognition:

- Step 1: Identify the contract with the customer
- Step 2: Identify the separate performance obligations under the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

**Identify the contract with the customer**

The Company carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognised only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Company determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

**Identify the separate performance obligations under the contract**

Once the Company has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

The Company assesses the services promised in a contract with a customer and identifies as a performance obligation either a:

- a) service that is distinct; or
- b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

A service (or bundle of services) is distinct if the customer can benefit from the service on its own or together with other readily available resources (i.e. the service is capable of being distinct) and the service is separately identifiable from other promises in the contract (i.e. the service is distinct within the context of the contract).

The Company provides management services to its customers which are generally provided continuously over the contract period. Accordingly, the services in these contracts generally represent a single performance obligation.

**Determine the transaction price**

The Company determines transaction price as the amount which it expects to be entitled to. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e. the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(o) *Revenue recognition (continued)***

*Allocate the transaction price to separate performance obligations*

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e. on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Company is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Company makes estimates based on information that is reasonably available.

*Satisfaction of performance obligations*

Revenue is recognised only when the Company satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied over time, the Company identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

The revenue recognition policy for each revenue stream is as follows:

*i) Brokerage income*

Brokerage income is recognised at a point in time when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

*ii) Asset and wealth management fees*

Management fees related to the asset and wealth management is recognised over time based on a fixed percentage of net assets or total assets under management (“asset-based”), or a percentage of returns from net assets (“return-based”) subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fees relates specifically to the Company’s efforts to transfer the services for that period. As management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

One-off fees related to the establishment and offering of the asset and wealth management products are recognised when the related performance obligation is satisfied at a point in time basis.

*iii) Special commission income*

Special commission income for all special commission bearing financial instruments are recognised over time in the statement of income using the effective commission rate method.

*iv) Advisory and investment banking services revenue*

Advisory and investment banking services revenue is recognised at a point in time based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

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**3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(o) *Revenue recognition (continued)***

v) *Custody services fees*

Custody services fees are recognised over time based on a fixed percentage of assets under custody.

vi) *Dividend income*

Dividend income is recognised at a point in time when the right to receive dividend is established.

vii) *Gain / (loss) on financial instruments at fair value through income statement*

Results arising from investment activities include all gains and losses from changes in fair values and disposal of financial instruments measured at fair value through income statements.

**(p) *Expenses***

Expenses are measured and recognised 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.

**(q) *Foreign currency***

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into SAR at the exchange rate at the reporting date.

Foreign exchange differences arising on translation are recognised in the statement of income as net foreign exchange gains or losses, except for those arising on financial instruments as measured at FVTIS, which are recognised as a component of net gain / loss from financial instruments at FVTIS.

**(r) *Assets held in trust or in a fiduciary capacity***

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these financial statements.

**4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

**4.1 *New and amended standards and interpretations***

The following new and amended accounting standards and interpretations became applicable for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*Definition of Accounting Estimates - Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no material impact on the Company's financial statements.

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**4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)**

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

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

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

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

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

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

The amendments had no material impact on the Company’s financial statements.

There are other new standards and interpretations which became applicable for annual periods beginning on or after 1 January 2023 that are not applicable to the Company, therefore, not presented in the notes to these financial statements.

**4.2 New and amended standards and interpretations issued but not yet effective**

The Company has not applied the following new and amended standards that have been issued but are not yet effective, which will become effective for annual periods on or after 1 January 2024. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and is currently assessing their impact.

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

In January 2020 and October 2022, the International Accounting Standards Board (“IASB”) issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively.

The new and amended standards and interpretations issued but not yet effective that do not apply to the Company are not presented in the notes to these financial statements.

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**5. CASH AND CASH EQUIVALENTS**

	<u>2023</u>	<u>2022</u>
Cash at bank – current accounts	<b>2,015</b>	36,063
Cash in investment account	--	161
Cash in hand	<b>30</b>	30
	<b><u>2,045</u></b>	<u>36,254</u>

**6. INVESTMENTS**

	<i>Notes</i>	<u>2023</u>	<u>2022</u>
<b><u>Current</u></b>			
Investments at FVTIS	6.1	<b><u>736,060</u></b>	<u>728,327</u>
<b><u>Non-current</u></b>			
Investments at FVTIS	6.1	<b>492,156</b>	200,057
Investment at FVOCI	6.2	<b><u>34,765</u></b>	<u>30,061</u>
		<b><u>526,921</u></b>	<u>230,118</u>

**6.1 Investments at FVTIS**

The investments at FVTIS comprise of the following:

	<u>2023</u>	<u>2022</u>
<b><u>Current</u></b>		
Investment funds	<b>736,060</b>	723,234
Quoted equity	--	5,093
	<b><u>736,060</u></b>	<u>728,327</u>
<b><u>Non-current</u></b>		
Investment funds	<b>471,669</b>	200,057
Unquoted equity	<b><u>20,487</u></b>	--
	<b><u>492,156</u></b>	<u>200,057</u>

**6.2 Investment at FVOCI**

Investment measured at FVOCI represents 2.04 million shares (31 December 2022: 2.04 million shares) in AlJazira Takaful Taawuni Company – the “Investee Company” with a total cost of SAR 17.5 million (31 December 2022: SAR 17.5 million). The fair value of investment is SAR 34.8 million as at 31 December 2023 (31 December 2022: SAR 30.1 million).

Movement of fair value reserve during the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	<b>12,561</b>	23,481
Net change in fair value of investment	<b>4,704</b>	(10,920)
<b>Balance at end of the year</b>	<b><u>17,265</u></b>	<u>12,561</u>

**7. MARGIN FINANCE RECEIVABLES**

The Company extends margin finance facilities on a selective basis to its customers for the purpose of investing in the Saudi equity market. These facilities are extended up to a maximum period of one year and carry profit at agreed special commission rates.

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**7. MARGIN FINANCE RECEIVABLES (CONTINUED)**

The facilities are collateralised by underlying equities and cash held in the customers' investment accounts.

The Company has assessed the ECL on margin finance receivables and after considering the nature of these receivables, collateral available and history of defaults, the Company has concluded that no material ECL allowance is required against these receivables as at 31 December 2023 (31 December 2022: no material ECL allowance). Detailed information on ECL is in note 24.2 to these financial statements.

**8. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>2023</u>	<u>2022</u>
Advance against investment	--	30,913
Asset and wealth management fees receivable	<b>73,227</b>	47,135
Deposit with Muqassa	<b>15,290</b>	15,290
Prepayments	<b>3,939</b>	4,269
Other assets	<b>27,231</b>	33,490
	<b><u>119,687</u></b>	<u>131,097</u>

**9. PROPERTY AND EQUIPMENT, NET**

	<u>Leasehold improvement</u>	<u>Furniture, fixture and office equipment</u>	<u>Motor Vehicle</u>	<u>Capital work in progress</u>	<u>Total</u>
<b>Cost:</b>					
At 1 January 2022	79,832	108,067	589	4,683	193,171
Additions during the year	398	673	--	2,713	3,784
Transfers during the year	1,074	4,260	--	(5,334)	--
Disposals during the year	--	(1,068)	(25)	--	(1,093)
At 31 December 2022	<u>81,304</u>	<u>111,932</u>	<u>564</u>	<u>2,062</u>	<u>195,862</u>
Additions during the year	4	479	--	7,694	8,177
Transfers during the year	241	4,788	--	(5,029)	--
Disposals during the year	--	(123)	--	--	(123)
At 31 December 2023	<b><u>81,549</u></b>	<b><u>117,076</u></b>	<b><u>564</u></b>	<b><u>4,727</u></b>	<b><u>203,916</u></b>
<b>Accumulated depreciation:</b>					
At 1 January 2022	66,499	105,047	37	--	171,583
Charge for the year	1,454	2,794	141	--	4,389
Disposals during the year	--	(1,030)	(25)	--	(1,055)
At 31 December 2022	<u>67,953</u>	<u>106,811</u>	<u>153</u>	<u>--</u>	<u>174,917</u>
Charge for the year	1,454	1,813	141	--	3,408
Disposals during the year	--	(121)	--	--	(121)
At 31 December 2023	<b><u>69,407</u></b>	<b><u>108,503</u></b>	<b><u>294</u></b>	<b><u>--</u></b>	<b><u>178,204</u></b>
<b>Net book value as at:</b>					
<b>31 December 2023</b>	<b><u>12,142</u></b>	<b><u>8,573</u></b>	<b><u>270</u></b>	<b><u>4,727</u></b>	<b><u>25,712</u></b>
31 December 2022	<u>13,351</u>	<u>5,121</u>	<u>411</u>	<u>2,062</u>	<u>20,945</u>

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**10. INTANGIBLE ASSETS, NET**

	<b>2023</b>	<b>2022</b>
<b>Cost:</b>		
At the beginning of the year	<b>26,789</b>	20,011
Additions during the year	<b>4,123</b>	6,778
Disposals during the year	<b>(1,523)</b>	--
<b>At the end of the year</b>	<b>29,389</b>	26,789
<b>Accumulated amortisation:</b>		
At the beginning of the year	<b>17,565</b>	16,143
Charge for the year	<b>1,827</b>	1,422
Disposals during the year	<b>(462)</b>	--
<b>At the end of the year</b>	<b>18,930</b>	17,565
<b>Net book value</b>	<b>10,459</b>	9,224

As at 31 December 2023 intangible assets include work in progress amounting to SAR 4.9 million (31 December 2022: SAR 5.2 million).

**11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<b>Land and buildings</b>	<b>Office Equipment</b>	<b>Motor Vehicle</b>	<b>Total</b>
<b>Cost:</b>				
At 1 January 2022	35,106	36	307	35,449
Additions during the year	--	--	73	73
Impact of lease modifications - Note 11.1	(457)	--	--	(457)
Terminations	--	--	(307)	(307)
<b>At 31 December 2022</b>	<b>34,649</b>	<b>36</b>	<b>73</b>	<b>34,758</b>
Additions during the year	--	--	129	129
Impact of lease modifications - Note 11.1	(19,836)	--	--	(19,836)
Terminations	--	(36)	--	(36)
<b>At 31 December 2023</b>	<b>14,813</b>	<b>--</b>	<b>202</b>	<b>15,015</b>
<b>Accumulated depreciation:</b>				
At 1 January 2022	14,384	27	307	14,718
Charge for the year	4,417	9	65	4,491
Terminations	--	--	(307)	(307)
<b>At 31 December 2022</b>	<b>18,801</b>	<b>36</b>	<b>65</b>	<b>18,902</b>
Charge for the year	2,419	--	41	2,460
Impact of lease modifications - Note 11.1	(9,778)	--	--	(9,778)
Terminations	--	(36)	--	(36)
<b>At 31 December 2023</b>	<b>11,442</b>	<b>--</b>	<b>106</b>	<b>11,548</b>
<b>Net book value as at:</b>				
<b>31 December 2023</b>	<b>3,371</b>	<b>--</b>	<b>96</b>	<b>3,467</b>
31 December 2022	15,848	--	8	15,856

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**11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	<u>2023</u>	<u>2022</u>
At the beginning of the year	<b>16,022</b>	19,110
Additions during the year	<b>129</b>	73
Accretion of special commission expense	<b>94</b>	486
Impact of lease modification – Note 11.1	<b>(10,058)</b>	(457)
Payments	<b>(3,519)</b>	(3,190)
<b>At the end of the year</b>	<b><u>2,668</u></b>	<b><u>16,022</u></b>

The above mentioned lease liabilities are disclosed in the statement of financial position as follows:

	<u>2023</u>	<u>2022</u>
Current liabilities	<b>2,668</b>	5,337
Non-current liabilities	<b>--</b>	10,685
	<b><u>2,668</u></b>	<b><u>16,022</u></b>

- 11.1 Modification in respect of right-of-use-assets and lease liabilities is due to changes in the lease payment terms.
- 11.2 Short-term lease payments and leases of low value assets are not material to the financial statements and recognised as expense on a straight-line basis over the lease term.

**12. SHORT-TERM BORROWINGS**

Short-term borrowings represent an unsecured Murabaha facility of SAR 3.3 billion (31 December 2022: SAR 2.3 billion) from Bank AlJazira. As at 31 December 2023, the amount of this facility utilised by the Company is SAR 1.8 billion (31 December 2022: SAR 1.4 billion). The financing carries commission at agreed rates payable at maturity. Accrued special commission expense on the facility as at 31 December 2023 amounted to SAR 0.3 million (31 December 2022: SAR 1.8 million).

**13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<i>Notes</i>	<u>2023</u>	<u>2022</u>
Due to related parties	28	<b>202,827</b>	69,911
Employees related liabilities		<b>51,866</b>	36,539
Accrued expenses		<b>27,860</b>	20,790
Directors' remuneration	28	<b>3,012</b>	2,961
Other liabilities		<b>61,772</b>	19,108
		<b><u>347,337</u></b>	<b><u>149,309</u></b>

**14. ACCRUED ZAKAT AND INCOME TAX**

In accordance with ZATCA Regulations, the Company is subject to zakat in respect of the Saudi shareholders of the Bank and to income taxes in respect of the foreign shareholders of the Bank.

In accordance with Ministerial Resolution 1005, consolidated zakat and income tax returns are filed by the Bank for Bank AlJazira Group. The Company's zakat and income tax liabilities charged in these financial statements are an allocation of zakat and income tax liabilities of Bank AlJazira Group. These liabilities are payable by the Company to the Bank, who ultimately settles them with ZATCA.

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**14. ACCRUED ZAKAT AND INCOME TAX (CONTINUED)**

**14.1 Movement in zakat and income tax accrual**

The movement during the year is as follows:

	<u>Notes</u>	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
<b>31 December 2023</b>				
At beginning of the year		48,203	1,176	49,379
Provision for the year	14.2	22,088	1,241	23,329
Payments made to the Bank		(19,953)	(1,176)	(21,129)
<b>At the end of the year</b>		<b>50,338</b>	<b>1,241</b>	<b>51,579</b>
<b>31 December 2022</b>				
At beginning of the year		43,769	964	44,733
Provision for the year	14.2	19,953	1,176	21,129
Payments made to the Bank		(15,519)	(964)	(16,483)
At the end of the year		48,203	1,176	49,379

14.2 Zakat and income tax charge reported in the statement of income includes an impact of deferred tax income amounting to SAR 37 thousand (2022: deferred tax expense of SAR 12 thousand).

**14.3 Status of assessments**

Zakat and income tax assessments for the period ended 31 December 2008 and the years ended 31 December 2009, 2010 and 2011, for which the Company filed separate zakat and income tax returns, have been finalised by the ZATCA with an additional demand of SAR 29.9 million. The Company filed appeals related to these assessments, which were decided in favour of ZATCA. The Company maintains an adequate provision for additional demand on these assessments.

In accordance with Ministerial Resolution 1005, consolidated zakat and income tax return has been filed for Bank AlJazira Group including the Company for the year ended 31 December 2022. The Company's zakat and income liabilities for year ended 31 December 2022 have been paid to the Bank.

**15. EMPLOYEES' END OF SERVICE BENEFITS**

The movement in provision for employees' end of service benefits are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	39,033	37,183
Current service cost	3,741	3,657
Special commission expense	1,501	912
<b>Amount recognised in statement of income</b>	<b>5,242</b>	<b>4,569</b>
Re-measurement loss / (gain) recognised in other comprehensive income, net	10,957	(1,310)
Transfer from Bank AlJazira	306	--
Benefits paid during the year	(6,937)	(1,409)
<b>Balance at the end of the year</b>	<b>48,601</b>	<b>39,033</b>

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**15. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)**

**15.1 Re-measurement loss / (gain) recognised in other comprehensive income is as follows:**

	<u>2023</u>	<u>2022</u>
Effect of change in financial assumptions	4,837	(2,570)
Effect of change in demographic assumptions	5,057	--
Effect of experience adjustments	1,063	1,260
<b>Re-measurement loss / (gain) recognised in other comprehensive income, net</b>	<b><u>10,957</u></b>	<b><u>(1,310)</u></b>

**15.2 Principal actuarial assumptions**

The following were the principal actuarial assumptions:

	<u>2023</u>	<u>2022</u>
Discount rate used	<u>4.70%</u>	<u>4.22%</u>
Expected annual salary increment	<u>5.00%</u>	<u>3.00%</u>
Expected employee turnover	<u>10.4%</u>	<u>8.5%</u>
Duration	<u>6.84 years</u>	<u>6.81 years</u>
Mortality rate	<u>0.11%</u>	<u>0.11%</u>
Retirement age	<u>60 years</u>	<u>60 years</u>

**15.3 Sensitivity analysis**

A quantitative sensitivity analysis for significant assumptions on the employees' end of service benefits is shown below:

	<u>2023</u>		<u>2022</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	(3,127)	3,517	(2,500)	2,818
Future salary growth (1% movement)	3,719	(3,364)	3,027	(2,729)
Withdrawal rate (10% movement)	(275)	300	(221)	254

**15.4 Maturity profile**

Expected maturity analysis of undiscounted employees' end of service benefits is as follows:

	<u>2023</u>	<u>2022</u>
Year 1	6,513	5,374
Year 2	4,470	3,516
Year 3	4,267	3,343
Year 4	4,060	3,151
Year 5	3,860	2,950
Year 6 to 10	18,729	15,432
Year 11 and above	27,824	20,028

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**16. SHARE CAPITAL**

The share capital is divided into 50 million shares (31 December 2022: 50 million shares) of SAR 10 each. The Company's share capital is wholly owned by Bank AlJazira as at 31 December 2023 and 31 December 2022.

**17. COMMITMENTS**

The un-utilised margin finance loan limits as at 31 December 2023 amounts to SAR 294.7 million (31 December 2022: SAR 361.2 million).

**18. BROKERAGE FEES, NET**

The brokerage fees is reported net of directly attributable expenses amounting to SAR 78.1 million (2022: SAR 123.9 million).

**19. ASSET AND WEALTH MANAGEMENT FEES, NET**

The asset and wealth management fees is reported net of directly attributable expenses amounting to SAR 28.4 million (2022: SAR 15.8 million).

**20. GAIN ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH INCOME STATEMENT, NET**

	<i>2023</i>	<i>2022</i>
Unrealised gain on investments at FVTIS, net	<b>7,488</b>	18,924
Realised gain on investments at FVTIS, net	<b>5,287</b>	7,708
	<b>12,775</b>	26,632

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>Notes</i>	<i>2023</i>	<i>2022</i>
Technology expenses		<b>14,730</b>	15,525
Professional fees		<b>7,188</b>	9,551
Securities service charges		<b>6,467</b>	6,496
Subscriptions		<b>5,481</b>	6,676
Directors' remuneration	28	<b>3,012</b>	3,446
Business promotion		<b>1,415</b>	974
Premises related expenses	28	<b>1,161</b>	3,992
Support service charges	28	<b>1,150</b>	2,751
Travelling		<b>1,139</b>	1,139
Training and conferences		<b>465</b>	360
Others		<b>55,654</b>	8,756
		<b>97,862</b>	59,666

**22. EARNINGS PER SHARE**

Basic and diluted earnings per share for the year ended 31 December 2023 and 31 December 2022 is calculated by dividing net income for the year by the weighted average outstanding number of shares for the year, totaling 50 million shares (2022: 50 million shares).

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**23. ASSETS HELD UNDER FIDUCIARY CAPACITY**

Client funds and assets are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered off balance sheet items and do not constitute part of the Company's assets. The following table summarises the fiduciary assets, as at 31 December:

	<i>2023</i>	<i>2022</i>
Assets under management	<b>16.8 billion</b>	10.8 billion
Assets under administration / brokerage	<b>69.7 billion</b>	83.2 billion

**24. FINANCIAL RISK MANAGEMENT**

The Company's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation, monitoring of risks and controls.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors have established a Risk Committee to provide oversight on Company's risk management matters. Risk management policies are developed to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has dedicated Risk and Compliance functions. Day-to-day risk management activities are managed within each respective business unit. The Risk Committee meets periodically and is updated on all risk management matters.

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

**24.1 *Market risk***

*a) Foreign exchange risk*

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Company's transactions are principally in SAR and US Dollar ("USD"). As the SAR is pegged to the USD, the Company is not exposed to any significant foreign exchange risk on USD transactions. In addition, as at 31 December 2023 the Company has exposures in Australian Dollar amounting to SAR 84.1 million (31 December 2022: SAR 84.3 million) and British Pound amounting to SAR 65.0 million (31 December 2022: SAR 31 million).

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**24.1 *Market risk (continued)***

*b) Commission rate risk*

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments.

The Company's commission bearing financial instruments are margin finance receivables and short-term borrowings. The commission is fixed for the period for which these commission bearing financial instruments are issued or obtained. Therefore, no significant commission rate risk exists for existing financial instruments.

*c) Price risk*

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

The Company's price risk exposure relates to its investments in equities and investment funds units whose value will fluctuate as a result of changes in market prices.

The Executive Committee ensures that the proprietary investments are diverse and balanced, and seeks investment opportunities consistent with the investment strategy and risk appetite of the Company.

The Company manages this risk through diversification of its investment portfolio and periodic monitoring of changes in equity prices and net asset value of the investment funds.

The Company's investment in investment funds is disclosed below:

	<u>2023</u>		<u>2022</u>	
	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>
Public funds	7.6	92,220	5.6	51,603
Private funds	92.4	1,115,509	94.4	871,688
	<u>100</u>	<u>1,207,729</u>	<u>100</u>	<u>923,291</u>

The Company's investment in quoted equities by industry is disclosed below:

<b>Industry Sector</b>	<u>2023</u>		<u>2022</u>	
	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>
<i><u>Designated at FVTIS</u></i>				
Materials	--	--	100	5,093
<i><u>Designated at FVOCI</u></i>				
Financial services	100	34,765	100	30,061

All the equities are listed on the Saudi Stock Exchange (Tadawul).

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**24.1 *Market risk (continued)***

c) *Price risk (continued)*

The Company's investment in unquoted equity by industry is disclosed below:

<b>Industry Sector</b>	<b>2023</b>		<b>2022</b>	
	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>
<i>Designated at FVTIS</i>				
Financial services	<b>100</b>	<b>20,487</b>	--	--

The effect on the statement of income (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity prices and / or the investment funds' net assets value, with all other variables held constant, is as follows:

	<i>Potential reasonable change %</i>	<b>Effect on statement of income</b>	
		<b>2023</b>	<b>2022</b>
Public funds	+/- 5%	<b>4,611</b>	2,580
Private funds	+/- 5%	<b>55,775</b>	43,584
Quoted equity	+/- 5%	--	255
Unquoted equity	+/- 5%	<b>1,024</b>	--

The effect on the statement of other comprehensive income (as a result of the change in the fair value of investment as at 31 December) due to a reasonably possible change in equity prices, with all other variables held constant, is as follows:

	<i>Potential reasonable change %</i>	<b>Effect on statement of other comprehensive income</b>	
		<b>2023</b>	<b>2022</b>
Quoted equity	+/- 5%	<b>1,738</b>	1,503

**24.2 *Credit risk***

Credit risk is the risk that one party will fail to discharge an obligation and may cause the other party to incur a financial loss. The Company is exposed to credit risk mainly arising from cash and cash equivalents, margin finance receivables and other current assets.

The Company's risk management policies and processes are designed to identify and analyse risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**24.2 *Credit risk (continued)***

The Company's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	<u>2023</u>	<u>2022</u>
Cash at bank and in investment account	<b>2,015</b>	36,224
Margin finance receivables	<b>2,201,890</b>	1,688,244
Other current assets	<b>115,748</b>	126,828
	<b><u>2,319,653</u></b>	<b><u>1,851,296</u></b>

*Cash at bank and other current assets*

Bank balances are maintained with banks having sound credit ratings. Other current assets represent asset management fees receivable mainly from investment funds and portfolios managed by the Company, deposit with Muqassa, advance against investment, and receivables from corporate clients, which are considered as low credit risk by the Company.

*Margin finance receivables*

Lending for margin finance is made with initial coverage of at least 200%. This coverage is actively monitored and margin calls and force liquidations are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralised at all times. Customer portfolios are liquidated to cover the loan amounts if the collateral coverage ratio drops below the liquidation level. Even though there might be a small probability of default, the ECL results in zero impairment provision as the pledged collateral (in the form of cash or liquid securities) adequately covers the exposure. The over-collateralised nature of the exposure, coupled with the Company's monitoring process, results in a loss given default (LGD) of zero.

Given the nature and extent of the collateral pledged against the Company's margin finance receivables, the management considers the credit risk of the exposures to be minimal.

The fair value of the collateral held against margin finance receivables amounted to SAR 6.9 billion as at 31 December 2023 (31 December 2022: SAR 4.8 billion).

**24.3 *Liquidity risk***

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet the commitments as they arise. The Company maintains a Murabaha facility from Parent Company, Bank AlJazira to satisfy its liquidity requirements.

The Company's liquidity management approach ensures that it always has sufficient liquidity (or access to sufficient liquidity) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Company's reputation.

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**24.3 *Liquidity risk (continued)***

The table below summarises the maturity profile of the Company's financial liabilities at year end based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>More than 1 year</i>	<i>No fixed maturity</i>	<i>Total</i>
<b>31 December 2023</b>					
Short-term borrowings	1,838,204	--	--	--	1,838,204
Lease liabilities	--	2,750	--	--	2,750
Other current liabilities	298,027	21,450	--	--	319,477
<b>Total</b>	<b>2,136,231</b>	<b>24,200</b>	<b>--</b>	<b>--</b>	<b>2,160,431</b>
	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>More than 1 year</i>	<i>No fixed maturity</i>	<i>Total</i>
<b>31 December 2022</b>					
Short-term borrowings	1,413,382	--	--	--	1,413,382
Lease liabilities	2,333	3,098	11,491	-	16,922
Other current liabilities	123,056	5,463	--	--	128,519
<b>Total</b>	<b>1,538,771</b>	<b>8,561</b>	<b>11,491</b>	<b>--</b>	<b>1,558,823</b>

**24.4 *Operational risk***

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider level and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective of managing operational risk is to ensure that adequate controls are in place to protect the assets and reputation of the Company and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors. These tools include a loss database of operational risks events categorised according to CMA Prudential Rules, business lines, operational risk event types, implementation of a risk and control self-assessment process to analyse business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimising the impact of losses could be suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss. High impact risks and issues of critical importance are reported to the Risk Committee along with root cause analysis and corrective actions. Additionally, risk management awareness sessions are conducted across all departments within the Company, aiming to foster a profound understanding of risk among all employees.

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**25. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES**

Unconsolidated structured entities are all structured entities that are not controlled by the Company. The Company enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and / or for specific investment opportunities. An interest in a structured entity is contractual or non-contractual involvement which creates variability of the returns of the Company arising from the performance of the structured entity.

The table below describes the types of structured entities that the Company does not consolidate but in which it holds an interest.

<u>Type of structured entity</u>	<u>Nature and purpose</u>	<u>Interest held by the Company</u>	<u>Total assets</u>	
			<u>2023</u>	<u>2022</u>
Public funds	<p>To generate:</p> <ul style="list-style-type: none"> <li>▪ returns from trading in the units and / or periodic distributions from the funds.</li> <li>▪ fee from managing assets on behalf of third party investors.</li> </ul> <p>These funds are financed through the issue of units to investors.</p>	<ul style="list-style-type: none"> <li>▪ Investments in units issued by the funds.</li> <li>▪ Management and performance fee</li> </ul>	<b>237,810</b>	194,561
Private funds	<p>To generate:</p> <ul style="list-style-type: none"> <li>▪ returns from capital appreciation and / or periodic distributions from the funds.</li> <li>▪ fee from advisory services / managing assets on behalf of third party investors.</li> </ul> <p>These funds are financed through the issue of units / shares to investors.</p>	<ul style="list-style-type: none"> <li>▪ Investments in units / shares issued by the funds.</li> <li>▪ Advisory and management fee</li> </ul>	<b>3,375,203</b>	1,639,941

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**25. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)**

The table below sets out an analysis of the carrying amounts of interest held by the Company in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the assets held. These interests are reported as investments at fair value through statement of income in these financial statements.

	<i>2023</i>	<i>2022</i>
Public funds	<b>92,220</b>	51,603
Private funds	<b>1,050,826</b>	854,070
	<b>1,143,046</b>	905,673

The Company considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. The Company earned a fee amounting to SAR 59.5 million (2022: SAR 49.8 million) from the structured entities it has sponsored, but in which the Company does not have an interest.

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price. Exposure in unquoted equity is determined using valuation model. Investment fund exposures are valued at the net asset value (NAV) per unit as determined by the relevant fund manager or fund administrator. Forward exchange agreement is valued using discounted notional techniques that use observable market data inputs for foreign exchange and yield curves.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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**26. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

<b><u>31 December 2023</u></b>	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments	<b><u>1,262,981</u></b>	<b><u>34,765</u></b>	<b><u>92,220</u></b>	<b><u>1,135,996</u></b>	<b><u>1,262,981</u></b>
 <u>31 December 2022</u>					
Investments	<u>958,445</u>	<u>35,154</u>	<u>51,603</u>	<u>871,688</u>	<u>958,445</u>

Carrying value of other financial assets and financial liabilities are approximate to their fair value and are classified as level 3.

*Investments classified in level 2 and level 3*

The Company uses NAV reports produced by the fund manager or fund administrator for the determination of fair values of investment funds. The fund manager or fund administrator deploys various techniques for the valuation of underlying financial instruments depending upon their nature.

The following table shows the movement of Level 3 fair values for the year.

	<u>2023</u>	<u>2022</u>
At beginning of the year	<b>871,688</b>	--
Transfer from level 2	--	6,619
Purchases	<b>797,654</b>	859,531
Redemptions	<b>(535,226)</b>	(23,074)
Change in fair value, net	<b>1,880</b>	28,612
At the end of the year	<b><u>1,135,996</u></b>	<u>871,688</u>

**27. FINANCIAL INSTRUMENTS BY CATEGORY**

The classification of financial assets by category is as follows.

<b><u>31 December 2023</u></b>	<b>Amortised cost</b>	<b>FVTIS</b>	<b>FVOCI</b>
Cash and cash equivalents	2,045	--	--
Margin finance receivables	2,201,890	--	--
Investments	--	1,228,216	34,765
Other current assets	115,748	--	--
<b>Total</b>	<b><u>2,319,683</u></b>	<b><u>1,228,216</u></b>	<b><u>34,765</u></b>
 <u>31 December 2022</u>			
	Amortised cost	FVTIS	FVOCI
Cash and cash equivalents	36,254	--	--
Margin finance receivables	1,688,244	--	--
Investments	--	928,384	30,061
Other current assets	126,828	--	--
<b>Total</b>	<b><u>1,851,326</u></b>	<b><u>928,384</u></b>	<b><u>30,061</u></b>

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**27. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

As at the statement of financial position date, all financial liabilities were measured at amortised cost, except for a negative fair value of forward exchange agreement of SAR 0.94 million as at 31 December 2022, which was matured during the current year.

**28. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Company comprise of the Board of Directors, key management personnel of the Company, investment funds under management, Bank AlJazira and its subsidiaries and affiliated companies.

**28.1 *Related party transactions***

The significant transactions with related parties during the year were as follows:

<b>Related party</b>	<b><u>Notes</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
<b><u>Bank AlJazira</u></b>			
Special commission income		<b>361</b>	275
Investment banking services fee		<b>4,000</b>	--
Custody fees		<b>6,427</b>	6,329
Asset and wealth management fee		<b>3,111</b>	2,693
(Loss) / gain on forward exchange agreement, net		<b>(515)</b>	2,244
Special commission expense		<b>103,613</b>	30,957
Support service charges	(a)	<b>1,150</b>	2,751
Premises related expenses	(b)	<b>1,161</b>	3,992
Lease related expenses		<b>2,554</b>	4,977
Bank charges		<b>302</b>	676
<b><u>AlJazira Takaful</u></b>			
Insurance expense		<b>368</b>	--
<b><u>Investment funds</u></b>			
Asset and wealth management fees		<b>76,727</b>	51,082
Gain / (loss) on investments		<b>6,155</b>	(4,623)
Dividend income		<b>1,157</b>	2,289
<b><u>Board of Directors</u></b>			
Directors' remuneration		<b>3,012</b>	3,446
<b><u>Key management personnel</u></b>			
Salaries and compensation		<b>26,568</b>	22,387
End of service benefit		<b>375</b>	404

a) Support service charges represent financial, administrative, logistics and IT related services as per the service agreement with the Bank.

b) Premises related expenses are paid to the Bank in relation to the offices of the Company.

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**28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**28.2 *Balances with related parties***

<b>Related party</b>	<u>2023</u>	<u>2022</u>
<b><u>Bank AlJazira</u></b>		
Cash and cash equivalents	<u>2,015</u>	<u>36,063</u>
Due to related party	<u>201,520</u>	<u>67,239</u>
Short-term borrowings (note 12)	<u>1,837,301</u>	<u>1,409,149</u>
Fair value of forward exchange agreement	<u>--</u>	<u>(937)</u>
<b><u>AlJazira Takaful</u></b>		
Investment	<u>34,765</u>	<u>30,061</u>
Due to related party	<u>1,307</u>	<u>2,672</u>
<b><u>Investment funds</u></b>		
Investments	<u>138,437</u>	<u>78,260</u>
Asset and wealth management fees receivable	<u>61,678</u>	<u>41,979</u>
Other receivables	<u>5,589</u>	<u>1,324</u>
<b><u>Board of directors</u></b>		
Directors' remuneration	<u>3,012</u>	<u>2,961</u>
<b><u>Key management personnel</u></b>		
Employees related liabilities	<u>22,008</u>	<u>17,343</u>

**29. CAPITAL ADEQUACY**

The CMA issued Prudential Rules dated 17 Safar 1434H (corresponding to 30 December 2012). During the current year, CMA notified the Amended Prudential Rules (the "Rules") which became effective from 10 Ramadan 1444H (corresponding to 1 April 2023). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology. In accordance with this methodology, the Company has calculated its minimum capital ratio requirements as follows:

	<u>2023</u>	<u>2022</u>
Capital Base	<u>1,328,296</u>	<u>1,187,949</u>
	<u>2023</u>	<u>2022</u>
	<i>Percentage</i>	<i>Times</i>
Capital Ratio	<u>16.35%</u>	<u>1.57</u>
Minimum Capital Ratio Requirement	<u>8%</u>	<u>1</u>

Capital Base of the Company comprise of paid-up share capital, retained earnings and other disclosed reserves.

The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA, to maintain a strong capital base and to support future growth .

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**30. COMPARATIVE FIGURES**

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

**31. EVENTS AFTER THE END OF REPORTING PERIOD**

No significant event has occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

**32. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements and its accompanying notes were approved by the Board of Directors on 4 Sha'ban 1445H (corresponding to 14 February 2024).