SAUDI FRANSI CAPITAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Independent auditor's report to the shareholder of Saudi Fransi Capital Company (A Saudi Closed Joint Stock Company)

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Fransi Capital Company (the "Company") as of December 31, 2022, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies 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.

The Audit committee is responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholder of Saudi Fransi Capital Company (A Saudi Closed Joint Stock Company) (continued)

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.

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 scepticism 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.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 27, 2023

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2022	**2021**
Assets			
Current assets			
Cash and bank balances	3	**786,544,412**	1,289,073,836
Margin / murabaha financing	4	**1,425,062,006**	1,767,000,191
Investments held at fair value through statement of income (FVSI)	6	**4,484,988**	-
Prepayments and other receivables – net	7	**356,540,297**	58,033,757
Loans to employees - net	8	**3,366,487**	1,373,608
Advance income tax		**-**	13,173,718
Total current assets		**2,575,998,190**	3,128,655,110
Non-current assets			
Property, equipment and intangible assets, net	9	**33,118,822**	27,775,677
Investments held at fair value through other comprehensive income ("FVOCI")	5	**540,772,767**	198,054,195
Loans to employees – net	8	**7,935,754**	15,902,523
Total non-current assets		**581,827,343**	**241,732,395**
Total assets		**3,157,825,533**	3,370,387,505
Liabilities and Shareholder's equity			
Liabilities			
Current liabilities			
Short-term borrowings	10	**1,432,138,876**	1,767,539,422
Accrued and other liabilities	11	**186,422,681**	259,203,556
Deferred income		**11,114,011**	10,434,916
Employees' benefit obligations	13.4	**10,455,449**	3,782,272
Zakat and income tax provisions	12	**29,416,600**	37,061,940
Total current liabilities		**1,669,547,617**	2,078,022,106
Non-current liability			
Employees' benefit obligations	13.4	**55,370,350**	61,667,359
Total non-current liability		**55,370,350**	61,667,359
Total liabilities		**1,724,917,967**	2,139,689,465
Shareholder's equity			
Share capital	1	**500,000,000**	500,000,000
Statutory reserve		**150,000,000**	150,000,000
Retained earnings		**801,783,596**	591,300,968
Re-measurements reserve of employees' benefit obligations		**(4,440,387)**	(10,694,153)
Re-measurement reserve for FVOCI debt investments		**(13,217,734)**	91,225
Re-measurement reserve for FVOCI equity investments		**(1,217,909)**	-
Net shareholder's equity		**1,432,907,566**	1,230,698,040
Total liabilities and shareholder's equity		**3,157,825,533**	3,370,387,505

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2022	2021
Operating income			
Income from brokerage services - net		**101,986,591**	163,272,395
Income from asset management services - net		**149,517,006**	165,347,914
Income from advisory and investment banking services – net		**60,295,231**	51,720,664
Income from margin / murabaha financing		**88,537,090**	39,477,601
Realized gain on redemption of trading securities		**2,766,883**	3,048,508
Unrealized loss on trading securities		**(863,393)**	-
Dividend income		**13,317,959**	209,959
Custody services related fees		**3,120,165**	3,068,071
Total operating income		**418,677,532**	426,145,112
Operating expenses			
Salaries and employees' related benefits		**(162,196,655)**	(152,079,494)
Other general and administrative expenses	15	**(49,947,132)**	(48,000,519)
Expected credit loss ("ECL") on financial assets	17.2.1	**(592,682)**	(687,677)
Marketing expenses		**(998,416)**	(318,736)
Total operating expenses		**(213,734,885)**	(201,086,426)
Income from operations		**204,942,647**	225,058,686
Other income / (expenses)			
Special commission expense on short-term borrowings	16.1	**(58,979,406)**	(12,170,649)
Special commission income		**89,114,201**	42,262,381
Others		**1,122,064**	2,728,868
Income before zakat and income tax		**236,199,506**	257,879,286
Zakat expense	12.1	**(18,943,908)**	(37,706,801)
Income tax expense	12.1	**(6,772,970)**	(1,877,384)
		(25,716,878)	(39,584,185)
Net income for the year		**210,482,628**	218,295,101

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2022	2021
Net income for the year		**210,482,628**	218,295,101
Other comprehensive income:			
Items that will not be reclassified subsequently to the statement of income			
-Net fair value changes of equity instruments		**(1,217,909)**	-
-Re-measurement gain / (loss) on employees' benefit obligations, net	13.3	**6,253,766**	(12,096,057)
Items that will be reclassified subsequently to the statement of income			
-Net fair value changes including allowance for ECL of debt instruments		**(13,308,959)**	91,225
Other comprehensive loss for the year		**(8,273,102)**	(12,004,832)
Total comprehensive income for the year		**202,209,526**	206,290,269

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Re-measurements reserve of employees' benefit obligations	Re-measurement reserve for FVOCI investments		Total
					Debt	Equity	
Balance at January 1, 2022	**500,000,000**	**150,000,000**	**591,300,968**	**(10,694,153)**	**91,225**	**-**	**1,230,698,040**
Net income for the year	**-**	**-**	**210,482,628**	**-**	**-**	**-**	**210,482,628**
Other comprehensive loss for the year	**-**	**-**	**-**	**6,253,766**	**(13,308,959)**	**(1,217,909)**	**(8,273,102)**
Total comprehensive income for the year	**-**	**-**	**210,482,628**	**6,253,766**	**(13,308,959)**	**(1,217,909)**	**202,209,526**
December 31, 2022	**500,000,000**	**150,000,000**	**801,783,596**	**(4,440,387)**	**(13,217,734)**	**(1,217,909)**	**1,432,907,566**
Balance at January 1, 2021	500,000,000	134,044,673	388,961,194	1,401,904	-	-	1,024,407,771
Net income for the year	-	-	218,295,101	-	-	-	218,295,101
Other comprehensive loss for the year	-	-	-	(12,096,057)	91,225	-	(12,004,832)
Total comprehensive income for the year	-	-	218,295,101	(12,096,057)	91,225	-	206,290,269
Transfer to statutory reserve	-	15,955,327	(15,955,327)	-	-	-	-
Balance at December 31, 2021	500,000,000	150,000,000	591,300,968	(10,694,153)	91,225	-	1,230,698,040

The accompanying notes from 1 to 21 form an integral part of these financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Year ended December 31, 2022	2021
Cash flows from operating activities			
Income before zakat and income tax		**236,199,506**	257,879,286
Adjustments for non-cash charges and other items			
Depreciation and amortization	9	**3,139,214**	3,656,648
Employees' benefit obligations - LTIP	13.2	**16,434,525**	(908,584)
Provision for employees' end of service benefits ("EOSB)	13.1	**8,233,917**	7,731,581
ECL on doubtful receivable and others, net	7 & 17.2.1	**450,133**	592,715
ECL on investments classified as debt instruments	17.2.1	**219,951**	91,225
ECL (reversal) / charge on loans to employees – net	17.2.1	**(77,402)**	3,737
Impairment provision – Capital work in progress		**1,656,524**	-
Loss / (gain) on disposal of property and equipment		**34,623**	(181,000)
Dividend income		**(13,317,959)**	-
Interest income on investments at FVOCI		**(11,706,511)**	-
Unrealised fair value loss on investment at FVSI	6.2	**863,392**	-
Changes in working capital			
Margin / murabaha financing		**341,938,185**	(413,501,531)
Investment at FVSI		**(5,348,380)**	-
Prepayments and other receivables		**(296,391,868)**	(31,952,211)
Advance income tax		**10,886,019**	(9,060,670)
Loans to employees - net		**6,051,292**	204,657
Short-term borrowings		**(335,400,546)**	513,895,355
Accrued and other liabilities		**(79,553,845)**	197,555,446
Deferred income		**679,095**	5,908,458
Employees' benefit obligations - Employees' EOSB and LTIP paid	13.1 & 13.2	**(18,038,508)**	(4,570,141)
Zakat and income tax paid	12.1	**(26,589,248)**	(27,789,030)
Advance income tax refund		**2,287,699**	-
Net cash (used in) / generated from operating activities		**(157,350,192)**	499,555,941
Cash flows from investing activities			
Additions to property, equipment and intangible assets	9	**(10,177,506)**	(7,713,192)
Proceeds from disposal of property and equipment		**4,000**	181,000
Purchase of FVOCI investments, net		**(352,131,070)**	(198,029,195)
Interest received on FVOCI investments		**6,372,190**	-
Dividends received		**10,753,154**	-
Net cash used in investing activities		**(345,179,232)**	(205,561,387)
Net change in cash and bank balances		**(502,529,424)**	293,994,554
Cash and bank balances at the beginning of the year		**1,289,073,836**	995,079,282
Cash and bank balances at the end of the year	3	**786,544,412**	1,289,073,836

The accompanying notes from 1 to 21 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Fransi Capital Company (the "Company") is a Saudi Closed Joint Stock Company. The Company was registered as a limited liability Company in the Kingdom of Saudi Arabia under commercial registration number 1010231217 issued in Riyadh on Rabi-Al Awwal 26, 1428H (corresponding to April 14, 2007). The Company was converted from a limited liability company to a closed joint stock company on Rabi Al-Awwal 29, 1438H (corresponding to December 28, 2016) which is the date of new commercial registration. The Company's statutory financial statements are prepared from January 1 and to the end of December of each Gregorian year.

The registered address of the Company is P.O. Box 3735, Riyadh 12313, Kingdom of Saudi Arabia. The Company is 100% owned by Banque Saudi Fransi (the "Bank").

The Company obtained Capital Market Authority ("CMA") license number 07052-05 on Muharam 19, 1428H (corresponding to February 7, 2007), and obtained the commencement letter from CMA on Muharam 4, 1429H (corresponding to January 13, 2008).

The licensed activities are to act as a principal, underwriter, and agent to provide dealing of securities, managing, arranging, advisory and custody services for securities activities.

During the year ended December 31, 2010, the management of the Bank resolved to merge CAAM Saudi Fransi Company Limited and Calyon Saudi Fransi Limited (together "the Merged Companies") into Fransi Tadawul Company and change its name to Saudi Fransi Capital Company. The CMA Board of Commissioners issued a resolution dated Safar 26, 1432H (corresponding to January 30, 2011) (the merger date) approving the merger of the associated companies into the Company, change of its name, increase in paid-up share capital to Saudi Riyals 500 million and amending its licensed activities with immediate commencement of its activities under new license number 11153-37.

The Company is in the process of deregistering the commercial records of the merged companies CAAM Saudi Fransi Company Limited with the commercial registration number 1010235891 dated Rajab 4, 1428H (corresponding to July 18, 2007) and Calyon Saudi Fransi Limited with the commercial registration number 1010241446 dated Dhul Qa'dah 29, 1428H (corresponding to February 11, 2008).

The Company's ownership structure is set out below:

Shareholder	**Country of origin**		**December 31, 2022**	**December 31, 2021**
Banque Saudi Fransi	Saudi Arabia	Number of shares	500,000	500,000
		Share capital (SR)	500,000,000	500,000,000

The Bank has 100% Saudi shareholders (2021: 100%).

These financial statements were approved and authorised for issue by the Company's Board of Directors on 30 Sha'ban 1444H (corresponding to March 22, 2023).

2 Significant accounting policies

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

2.1 Basis of preparation

(i) Compliance with IFRS

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

(ii) Historic cost convention

These financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of investments held at fair value through other comprehensive income ("FVOCI") and through statement of income
  - employees' end of service benefits ("EOSBs") carried at present value using Projected Unit Credit Method
- using accrual basis of accounting.

(iii) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional currency of the Company.

(iv) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Mutual fund as equity

The Company has made investments in mutual funds. These have been classified as equity by the management. Judgement has been exercised with respect to the classification. It fulfils the definition of equity based on management's assessment including the fact that there is no put option / redemption clause available to investor, there is guaranteed return or repayment etc.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:
- *Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16*
- *Reference to the Conceptual Framework – Amendments to IFRS 3*
- *Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37*
- *Annual Improvements to IFRS Standards 2018–2020*

The amendments listed above did not have any impact on the financial statements of the Company.

(vi) New standards not yet effective and not early adopted by the Company

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(vii) Going concern

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

2.2 Cash and bank balances

Cash and bank balances include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and bank balances are carried at amortized cost in the statement of financial position.

2.3 Financial instruments

2.3.1 Classification and measurement of financial assets

2.3.1.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company records financial instruments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, 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. For financial assets or financial liabilities held at fair value through statement of income, the transaction costs are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for debt financial assets measured at amortized cost, which results in an ECL charge being recognized in the statement of income when an asset is newly originated.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortized cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through statement of income ("FVSI")

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:
- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:
- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the SPPP test does not pass, and the related financial asset is classified and measured at FVSI.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The SPPP assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured as described in Note 2.3.2. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

Fair value through statement of income ("FVSI"): If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI, where cashflows do not represents solely SPPP, is recognized in the statement of income, within "Net gain/(loss) on investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are held for trading are presented separately from debt investments that are mandatorily measured at FVSI, within "Net gain / (loss) in investments designated at FVSI or held for trading".

Fair value through other comprehensive income ("FVOCI"): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in statement of income. When the debt financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the year.

Currently bank balances, margin / murabaha financing receivables, loans to employees - net and other receivables are classified as held at amortized cost. There are certain sukuks which have been classified as FVOCI. There are no debts securities classified as FVSI.

<u>Equity instruments</u>

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.1 Classification and measurement of financial assets (continued)

2.3.1.2 Classification and subsequent measurement of financial assets (continued)

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. On disposal, fair value gains/losses are transferred directly from fair value reserve to retained earnings. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income when the Company's right to receive payments is established.

The Company has irrevocably elected/designated investments in shares of an unquoted equity and mutual funds units in four funds in the real estate and financing sector, respectively, as held as FVOCI.

Some equity shares have been classified as held at FVSI.

2.3.2 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost. The Company recognizes 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.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
(vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include bank balances, margin / murabaha financing, loans to employees - net and other receivables.

The impact of ECL on the financial assets of the Company other than loans to employees and receivables from customers is immaterial. A significant exposure of the Company is held as placement with the Bank which has a sound credit rating as at the reporting date and the Company considers that it has low credit risk. The rating of the Bank as at December 31, 2022 was A-2 (December 31, 2021: “A-2”) as per Standard and Poor’s (S&P).

ECL on margin / murabaha financing is Nil due to the factors mentioned in Note 2.3.2.3.

For ECL measurement on loans to employees and other receivables please refer Note 2.3.2.3.

The Company considers that the remaining financial assets are immaterial and have low credit risk.

2.3.2.1 Stages of impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses (“ECL”) where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of special commission income.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company’s existing credit risk management standards for acceptable credit quality. Overall, the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company i.e., have defaulted or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The Company considers “Default” event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.2 Transfer criteria

Margin / murabaha financing

The transfer criterions are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criterion is modified accordingly to reflect the appropriate credit risk in each of the stages.

Stage 1 to Stage 2

- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client breaches 125% and subsequently margin is called, the asset would be migrated to Stage 2.

Stage 2 to Stage 3

- For an asset in Stage 2, if the client's collateralization level falls below 100%, the client shall be considered credit impaired, and the asset would be moved to Stage 3.

Loans to employees and other receivables

Stage 1 to Stage 2

- If the loan of the employees and other receivables is more than 30 days past due.

Stage 2 to Stage 3

- If the loan of the employees and other receivable is more than 90 days past due.

2.3.2.3 Expected credit loss measurement

Margin / murabaha financing

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

A decrease in collateral percentage below 125% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

For the purpose of default rate calculation, the Company has used the liquidation events as trigger for defaults. The default rate as at reporting date equals the number of accounts defaulting in the next 12 months from reporting date divided by the total number of performing accounts during the reporting month.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Therefore, the historical experience relating to LGD has been 0%. Given the nature and extent of the collateral held against the Company's margin financing exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin financing facilities should be 200% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 144%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 144%. Hence, even though there might be small probability of default, the ECL would result in zero impairment provision, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at least to 150%. The over-collateralized nature of the exposure has been observed and expected to result in a loss given default ("LGD") of 0%.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Loans to employees and other receivables

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.3.2.1.

Significant increase in credit risk:

For each exposure any increase in past due days from 30 days is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.2 Impairment of financial assets (continued)

2.3.2.3 Expected credit loss measurement (continued)

Definition of default:

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative - e.g., breaches of covenant;
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering binomial distribution of total borrowers and total defaults. The choice of confidence level is subjective and a confidence level of below 90% is used for calculation of PD.

LGD is the magnitude of the likely loss if there is a default. As the Company has no loss history, an expert judgment-based model has been developed, based on the available information with the Company. Market value is calculated at initiation. A discount of 20% is applied to the market value to estimate the current market value. This is further discounted by 10% to adjust for the other direct and indirect costs to realize the receipts from the collateral to arrive at the total market value of the exposure. A coverage analysis is done between the market value and outstanding amount to arrive at the LGD.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.3 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

2.3.4 Fair valuation 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

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

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

2.3.5 Derecognition of financial instruments

A financial asset is derecognized, when the contractual rights to receive the cash flows from the financial asset expire or the asset is transferred, and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

2 Significant accounting policies (continued)

2.3 Financial instruments (continued)

2.3.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and there is an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the expenditure that is directly attributable to the acquisition of the items and borrowing cost (where applicable). All other repair and maintenance costs are recognized in the statement of income as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will follow to the Company and the cost of that item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

	Years
Leasehold improvements	5 to 10 Years
Furniture and office equipment	4 to 10 Years
Motor vehicles	4 Years

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the 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 derecognized.

Work in progress is stated at cost incurred less accumulated impairment, if any, until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials, services, and capital advances. Work in progress is not depreciated.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of intangible assets is calculated on a straight-line basis over the estimated useful life of 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income under 'other general and administrative expenses.

2 Significant accounting policies (continued)

2.5 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

2.6 Impairment of non-financial assets

Property and equipment and other non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an assets or Cash Generating Unit’s (“CGU”) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.7 Short-term borrowings

Short-term borrowings are initially recognized at fair value, net of transaction costs incurred. Short-term borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

2. Significant accounting policies (continued)

2.7 Short-term borrowings (continued)

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Short-term borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income as other income or finance costs.

Short-term borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.8 Accrued and other liabilities

Liabilities are recognized for amounts to be paid for goods or services received, whether or not billed to the Company. The Company is carrying these at amortized cost.

2.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, 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 the obligation.

2.10 Employees' benefits obligations

2.10.1 Employees' end of service benefits ("EOSBs")

The provision for employees' end of service benefits ("EOSBs") is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labour Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the Projected Unit Credit Method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method by professionally qualified actuaries and arrived at using actuarial assumptions based on the market expectations at the date of statement of financial position. These valuations attribute entitlement benefits to the current period (to determine the current service cost). Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through statement of comprehensive income in the period in which these occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service costs are recognized in the statement of income on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

2 Significant accounting policies (continued)

2.10 Employees' benefits obligations (continued)

2.10.2 Other long-term employees' benefits obligations

The Company has other long-term employees' benefits obligations (i.e., ex-gratia benefits and long-term incentive plan) that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service and upon the satisfaction of certain conditions. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

2.13 Zakat and income taxes

The Company is subject to Zakat and income tax in accordance with the regulation of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat and income taxes are charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax is provided in full, if material, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

Deferred tax relating to items recognized outside statement of income is recognized either in statement of comprehensive income or directly in equity.

2 Significant accounting policies (continued)

2.13 Zakat and income taxes (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Value added tax ("VAT")

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and a liability. Where provision has been made for ECL of receivables, the impairment loss is recorded for the gross amount of the receivable, including VAT.

2.14 Determination of control over investment funds

The Company acts as a Fund Manager to a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the fund manager. As a result, the Company has concluded that it acts as an agent for the investors in those mutual funds in all cases, and therefore has not consolidated these funds.

2.15 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.

2 Significant accounting policies (continued)

2.16 Revenue

The Company recognizes revenue under IFRS 15 using the following five steps model:

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

Based on the above five steps the revenue recognition policies for the various revenue streams are as follow:

Brokerage income

Brokerage income is recognized 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 is considered as a performance obligation satisfied at a point in time, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Asset management fees

Asset management fees are recognized based on a fixed percentage of net assets under management (“asset-based”), or a percentage of returns from net assets (“returns-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 fee relates specifically to the Company’s efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognized.

This fee compensates and contributes to single performance obligation, the Company’s obligation will generally be satisfied upon the provision of non-restrictive legal custodial structure and therefore recognized over time as the overall services are performed.

2 Significant accounting policies (continued)

2.16 Revenue (continued)

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognized when services are determined as complete in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set forth under the terms of the engagement.

Revenue recognition of retainer fees is recognized over a period of time and it is generally linked to the timing of performance obligation (i.e., monthly, quarterly, etc.).

Success fees are recognized upon the fulfillment of performance obligations. For example, either on the satisfaction of financial advisory services or completion of underwriting agreement.

Dividend income

Dividend income is recognized when the right to receive dividend is established.

Underwriting fees

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody Fee

Custody fee is received upfront and amortized over the period of the service (deferred income).

2.17 Special commission income

Income from margin financing

Income from margin financing facilities is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the customer.

Income from murabaha financing

Income from murabaha is received upfront and amortized through the life of the murabaha (deferred income) on effective commission rate basis.

The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The carrying amount of the financial asset is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment loss.

Income from deposits

Income from deposits is recognized on an accrual basis based on effective commission rate method.

2 Significant accounting policies (continued)

2.18 Expenses

Marketing expenses are those which specifically relate to promotion and advertising. All other expenses, other than employees' costs, financial charges and expenses allocated by Banque Saudi Fransi are classified as ‘other general and administrative expenses’.

2.19 Finance cost

Expenses from short-term borrowing are recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the Bank.

2.20 Leases

Right of use asset (“RoU”) / lease liabilities

At the inception of a 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 a 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 applies cost model and measures the right of use asset at cost;
a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, at the commencement date, the RoU asset would equate to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. they need to be added to the RoU asset value.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, the Company measures the lease liability by:
1. Increasing the carrying amount to reflect the interest on the lease liability,
2. Reducing the carrying amount to reflect the lease payments made: and
3. Re-measuring the carrying amount to reflect any re-assessment or any lease modification.

Short-term and low values leases

Payments associated with short-term leases and leases of low value assets are recognized on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less. Leases below SAR 180 thousand are considered as low value.

2.21 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the period-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.22 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Cash and bank balances

	As of December 31, 2022	As of December 31, 2021
Cash in hand	**10,000**	10,000
Cash at bank - current accounts (Note 3.1)	**786,534,412**	1,289,063,836
	786,544,412	1,289,073,836

3.1 This represents account maintained with the Bank. SAR denominated balances earn special commission income which is linked to Saudi Inter Bank Offer Rate (SIBOR + agreed spread).

4 Margin / murabaha financing

The Company extends margin / murabaha financing facilities to its customers to invest in the Saudi Stock Exchange, international stock exchanges and investment funds. These facilities are extended up to a maximum period of 1 year and bear fixed / floating special commission rates based on Benchmark rate plus agreed spread except for murabaha facilities which are at fixed rates.

5 Fair value through other comprehensive income (FVOCI)

	As of December 31, 2022	As of December 31, 2021
Mutual funds	**119,373,535**	105,177,698
Sukuks	**346,374,232**	92,851,497
Equities	**75,025,000**	25,000
Total	**540,772,767**	198,054,195

The credit quality of investments is disclosed in Note 17.2.1.

(All amounts in Saudi Riyals unless otherwise stated)

6 Fair value through statement of income (FVSI)

	As of December 31, 2022	As of December 31, 2021
Equities	**4,484,988**	-
Total	**4,484,988**	-

6.1 The sector-wise analysis of investments held at FVSI is as below;

	As of December 31, 2022		As of December 31, 2021	
Sector	**Cost**	**Market value**	**Cost**	**Market value**
Retailing	**3,105,000**	**2,443,500**	-	-
Materials	**1,559,250**	**1,464,750**	-	-
Capital goods	**684,130**	**576,738**	-	-
Total	**5,348,380**	**4,484,988**	**-**	**-**

6.2 As at 31 December 2022, the unrealised fair value loss amounts to SAR 863,392 (2021: Nil).

7 Prepayments and other receivables – net

	Note	As of December 31, 2022	As of December 31, 2021
Collateral deposits		**189,261,397**	1,250,000
Receivable from customers and third-party funds	7.1	**141,175,856**	41,589,831
Other receivables		**12,321,547**	6,220,992
Receivable from Company managed mutual funds		**9,295,887**	6,051,526
Prepayments		**4,523,129**	3,646,955
Total prepayments and other receivables – gross		**356,577,816**	58,759,304
Allowance for ECL on doubtful receivables:			
- Receivables from customers	7.2	**(37,519)**	(725,547)
Prepayments and other receivables – net		**356,540,297**	58,033,757

7.1 This represents amounts receivable from the managed mutual funds (related parties) against management fee and expenses paid on their behalf.

7.2 Movement in allowance for ECL on doubtful receivables is as follows:

	Note	As of December 31, 2022	As of December 31, 2021
Balance at the beginning of the year		**(725,547)**	(5,098,092)
Charge for the year	17.2	**(450,133)**	(592,715)
Reversal of specific provision		**1,138,161**	-
Write-offs		**-**	4,965,260
Closing balance at the end of the year		**(37,519)**	(725,547)

(All amounts in Saudi Riyals unless otherwise stated)

8 Loans to employees - net

The Company has established employee loan programs that offer both personal and housing loans to eligible employees. The personal loans have varying maturities up to 24 months while housing loans are repayable by the employees over a period of up to 25 years.

	Note	As of December 31, 2022	As of December 31, 2021
Loans to employees - current portion		**3,366,487**	1,373,608
Loans to employees - non-current portion		**7,935,754**	15,902,523
	7.1 & 17.2.1	**11,302,241**	17,276,131

8.1 This balance is net of ECL allowance amounting to Saudi Riyals 36,125 (2021: Saudi Riyals 113,527). The reversal of ECL for the year amounts to Saudi Riyals 77,402 (2021: ECL charge of Saudi Riyals 3,737).

(All amounts in Saudi Riyals unless otherwise stated)

9 Property, equipment and intangible assets

2022	Leasehold improvements	Furniture and office equipment	Motor vehicles	Softwares	Capital work-in-progress	Total
Cost						
As at January 1	14,726,193	22,901,645	439,126	32,191,847	17,489,081	87,747,892
Additions during the year	-	313,960	-	6,775,277	3,088,269	10,177,506
Transfers from CWIP	-	-	-	3,705,057	(3,705,057)	-
Disposals	(730,546)	(162,192)	-	-	-	(892,738)
As at December 31	13,995,647	23,053,413	439,126	42,672,181	16,872,293	97,032,660
Accumulated depreciation / amortization and impairment						
As at January 1	14,327,708	17,829,709	145,628	27,669,170	-	59,972,215
Charge for the year (Note 15)	107,667	1,095,130	73,373	1,863,044	-	3,139,214
Disposals	(730,381)	(123,734)	-	-	-	(854,115)
Impairment provision - CWIP	-	-	-	-	1,656,524	1,656,524
As at December 31	13,704,994	18,801,105	219,001	29,532,214	1,656,524	63,913,838
Net book value						
At December 31	290,653	4,252,308	220,125	13,139,967	15,215,769	33,118,822

(All amounts in Saudi Riyals unless otherwise stated)

9 Property, equipment, and intangible assets (continued)

2021	**Leasehold improvements**	**Furniture and office equipment**	**Motor vehicles**	**Softwares**	**Capital work-in-progress**	**Total**
Cost						
As at January 1	14,617,563	19,667,138	553,360	29,931,195	15,751,004	80,520,260
Additions during the year	-	2,413,755	371,326	180,292	4,747,819	7,713,192
Transfers from CWIP	108,630	820,752	-	2,080,360	(3,009,742)	-
Disposals	-	-	(485,560)	-	-	(485,560)
As at December 31	14,726,193	22,901,645	439,126	32,191,847	17,489,081	87,747,892
Accumulated depreciation / amortization						
As at January 1	13,559,226	16,081,434	553,360	26,607,107	-	56,801,127
Charge for the year (note 14)	768,482	1,748,275	77,828	1,062,063	-	3,656,648
Disposals	-	-	(485,560)	-	-	(485,560)
As at December 31	14,327,708	17,829,709	145,628	27,669,170	-	59,972,215
Net book value						
At December 31	398,485	5,071,936	293,498	4,522,677	17,489,081	27,775,677

Capital work-in-progress ("CWIP") includes advances given to suppliers for purchase of property and equipment and construction of certain leasehold improvements.

Intangibles represent cost of various softwares used by the Company for the purpose of accounting and record keeping of the various revenue streams that encompass the Company's business activities.

(All amounts in Saudi Riyals unless otherwise stated)

10 Short-term borrowings

The Company has obtained overdraft facilities from the Bank in order to finance its lending book including margin / murabaha facilities extended to customers as follows:

As of December 31, 2022

S. No	Currency	Facility limit	Outstanding balance Saudi Riyals	Rate of commission
1	Saudi Riyals	3,343,750,000	**1,293,787,327**	Three-months average Benchmark rate + agreed spread
2	US Dollars	175,000,000	**138,351,549**	Three-months average Benchmark rate + agreed spread
			1,432,138,876	

As of December 31, 2021

			Saudi Riyals	
1	Saudi Riyals	3,343,750,000	1,395,900,638	Three-months average Benchmark rate + agreed spread
2	US Dollars	175,000,000	371,638,784	Three-months average Benchmark rate + agreed spread
			1,767,539,422	

As at December 31, 2022, the special commission expense payable is Saudi Riyals 7.847 million (2021: Saudi Riyals 1.298 million).

11 Accrued and other liabilities

	As of December 31, 2022	As of December 31, 2021
Accrued expenses	**125,245,200**	72,163,254
Accounts payable	**61,177,481**	187,040,302
Total	**186,422,681**	259,203,556

(All amounts in Saudi Riyals unless otherwise stated)

12 Zakat and income taxes

	As of December 31, 2022	As of December 31, 2021
Zakat	**29,041,600**	36,686,940
Income tax	**375,000**	375,000
Total	**29,416,600**	37,061,940

The Company maintains a provision of Saudi Riyals 29.42 million (2021: Saudi Riyals 37.06 million) for zakat and income tax as of December 31, 2022 which includes provision for the current period amounting to Saudi Riyals 29.829 million (2021: Saudi Riyals 36.086 million) and reversal from prior year amounting to Saudi Riyals 4.11 million (2021: charge of Saudi Riyals 3.49 million) recorded in current year. Zakat and income tax have been calculated in accordance with the Saudi Arabian Zakat and Income Tax Regulations and charged to the statement of income.

12.1 Movement in provision for zakat and income tax

The movement in the provision for zakat and income tax is as follows:

	As of December 31, 2022		
	Zakat	**Income tax**	**Total**
Balance at the beginning of the year	**36,686,940**	**375,000**	**37,061,940**
Provision - for current year*	**29,829,927**	**-**	**29,829,927**
(Reversal) / provision - for prior years	**(10,886,019)**	**6,772,970**	**(4,113,049)**
	18,943,908	**6,772,970**	**25,716,878**
Payments	**(26,589,248)**	**-**	**(26,589,248)**
Advance payment utilized	**-**	**(6,772,970)**	**(6,772,970)**
Balance at the end of the year	**29,041,600**	**375,000**	**29,416,600**

	As of December 31, 2021		
	Zakat	**Income tax**	**Total**
Balance at the beginning of the year	25,175,380	4,645,535	29,820,915
Provision - for current year	36,086,939	-	36,086,939
Provision - for prior years	1,619,862	1,877,384	3,497,246
	37,706,801	1,877,384	39,584,185
Payments	(25,327,847)	(2,461,183)	(27,789,030)
Advance payment utilized	(867,394)	(3,686,736)	(4,554,130)
Balance at the end of the year	36,686,940	375,000	37,061,940

* Beginning 2021, the Company does not accrue income tax due to the change in Saudi shareholding to 100%. Also see not 12.3.

12 Zakat and income taxes (continued)

12.2 Status of final assessments

The Company has filed its zakat and income tax declarations for the years from 2007 to 2021. ZATCA finalized the assessments for the years from 2007 to 2019. For the years from 2015 to 2017 ZATCA finalized the assessments with an additional zakat and income tax liability of Saudi Riyals 2.3 million. The Company has filed an appeal against these assessments with the Initial Committee and Appeal Committee for General secretariat of tax committees and it is pending for hearing.

With respect to CAAM Saudi Fransi (the "Merged Company"), the Company has received an assessment relating to returns filed for the period from 2007 to 2010 with an additional zakat and income tax liability of Saudi Riyals 3.6 million. The Company had filed an appeal against this assessment with the Initial Committee for General secretariat of tax committees which issued its decision by reducing additional zakat and income tax liability to Saudi Riyals 1.3 million. The Company has filed an appeal against this revised assessment with the Appeal Committee for General secretariat of tax committees which issued its decision in August 2021 by partial acceptance and the Company will notify ZATCA to act accordingly. The Bank has issued a bank guarantee on behalf of the Company in respect of the appealed amount of Saudi Riyals 1.3 million on behalf of the Company in favor of ZATCA.

12.3 Impact of changing shareholding percentage on zakat base

During the year 2019, the Bank submitted a request to ZATCA to update the shareholding percentage of the group to be 100% Saudi entity. In January 2022, ZATCA accepted the Bank's position as a Zakat payer only with an effective date starting January 2021.

Consequently, the Company has submitted a claim to ZATCA to refund advance tax payments made in 2021 amounting to Saudi Riyals 3.43 million.

The Company's zakat liabilities charged in these financial statements are an allocation of zakat liabilities of Banque Saudi Fransi Group. These liabilities are payable by the Company to the Bank who ultimately settles it with Zakat, Tax and Customs Authority (ZATCA).

13 Employees' benefit obligations

13.1 Employees' end of service benefits ("EOSBs") and ex-gratia benefits

Employees' end of service benefits ("EOSBs")

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans, and the benefit payment obligation are met when they fall due (i.e., upon termination of employment, resignation, or retirement).

Ex-gratia benefits

Ex-gratia benefits pertain to the other long-term benefits for those employees who reached retirement age. The normal retirement age is 58 for males and 53 for females. The Company allows late retirement up until 63 years.

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.1 Employees' end of service benefits ("EOSBs") and ex-gratia benefits (continued)

The amounts recognized in the statement of financial position and the movements in the EOSB obligation over the year are as follows:

	For the year ended December 31, 2022		
	End of service benefits	**Ex-gratia benefits**	**Total**
Balance at the beginning of the year	**56,576,467**	**1,953,976**	**58,530,443**
Current service cost	**6,517,378**	**217,658**	**6,735,036**
Interest expense	**1,433,124**	**65,757**	**1,498,881**
Total amount recognized in statement of income	**7,950,502**	**283,415**	**8,233,917**
Remeasurements due to actuarial gain	**(8,703,954)**	**(26,256)**	**(8,730,210)**
Benefits paid	**(11,692,447)**	**-**	**(11,692,447)**
Balance at the end of the year	**44,130,568**	**2,211,135**	**46,341,703**

	For the year ended December 31, 2021		
	End of service benefits	**Ex-gratia benefits**	**Total**
Balance at the beginning of the year	41,745,001	1,536,478	43,281,479
Current service cost	6,183,766	232,799	6,416,565
Interest expense	1,273,024	41,992	1,315,016
Total amount recognized in statement of income	7,456,790	274,791	7,731,581
Remeasurements due to actuarial loss	11,872,817	214,707	12,087,524
Benefits paid	(4,498,141)	(72,000)	(4,570,141)
Balance at the end of the year	56,576,467	1,953,976	58,530,443

13.2 Long-term incentive plan

The Company operates a Long-Term Incentive Plan ("LTIP"). Until 2022, this scheme was available only to selected employees in any given eligible year. The benefit of each eligible year vested over the three years from the end of each respective eligible year. The "award rate" for each LTIP was 17% of the scheme salary at the end of the vesting period. The benefit was payable provided that SFC achieved a consecutive net income growth for all three financial years within the vesting period.

During the year ended 31 December 2022, the LTIP policy was updated by management. Under the new policy, the LTIP award is payable to the plan's participants at the end the vesting period, granted that they remain in service during that period. The award is vested annually 25%,25% and 50% and is subject to annual performance conditions, based on the Company's net income growth versus the market net income growth.

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

As at 31 December 2022, the maturity of the LTIP provision is shown in the table below:

Long-term incentive plan:	December 31, 2022	December 31, 2021
Current	**10,455,449**	3,782,272
Non-current	**9,028,647**	3,136,916
Balance at the end of the year	**19,484,096**	6,919,188

As of December 31, 2022, the Company recognized re-measurement due to actuarial loss amounting to SAR 2,476,444 (December 31, 2021: SAR 8,533) on LTIP.

The amounts recognized in the statement of financial position and the movements in the LTIP over the year are as follows:

	Note	December 31, 2022	December 31, 2021
Opening balance		**6,919,188**	7,819,239
Charge / (reversal) for the year recognized in the statement of income		**16,434,525**	(908,584)
LTIP Payment made		**(6,346,061)**	-
Remeasurement loss due to actuarial valuation recognized in other comprehensive income	13.3	**2,476,444**	8,533
Closing balance		**19,484,096**	6,919,188

13.3 Re-measurement gain /(loss)

The total re-measurement gain / (loss) on employees' benefit obligation is presented in the table below:

Re-measurement gain / (losses) from:	Note	December 31, 2022	December 31, 2021
- Employees' end of service benefits	13.1	**8,730,210**	(12,087,524)
- Long-term incentive plan	13.2	**(2,476,444)**	(8,533)
Re-measurement gain / (loss) on employees' benefit obligations, net		**6,253,766**	(12,096,057)

13.4 Provision for employees' benefit obligations

The total provision for employees' benefit obligations are as follows:

	Note	December 31, 2022	December 31, 2021
Current:			
Long-term incentive plan	13.2	**10,455,449**	3,782,272
Non-current:			
- Employees' end of service benefits	13.1	**46,341,703**	58,530,443
- Long-term incentive plan	13.2	**9,028,647**	3,136,916
Total non-current employees' benefit obligations		**55,370,350**	61,667,359

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.5 Key actuarial assumptions

	As at December 31, 2022	As at December 31, 2021
End of service benefits:		
Discount rate	**5.00%**	2.65%
Salary growth rate	**5.00%**	4.00%
Duration of liability (in years)	**10.79**	10.80
Ex-gratia benefits:		
Discount rate	**5.00%**	3.2%
Salary growth rate	**5.00%**	4%
Long-term incentive plan:		
Discount rate	**4.94%**	2.65%
Salary growth rate	**-**	4.00%
Plan duration (in years)	**3**	-

13.6 Sensitivity analysis for actuarial assumptions

December 31, 2022	Change in assumption		Impact on employees' benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	**(4,032,517)**	**4,649,854**
Salary growth rate	+ 100 bp	- 100 bp	**4,600,762**	**(4,066,460)**
Mortality	+ 20%	- 20%	**-**	**-**
Attrition rate	+ 20%	- 20%	**(434,375)**	**475,028**
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	**(245,520)**	**284,218**
Salary growth rate	+ 100 bp	- 100 bp	**-**	**-**
Mortality	+ 20%	- 20%	**-**	**-**
Attrition rate	+ 20%	- 20%	**(154,302)**	**177,969**
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	-	-
Salary growth rate	+ 100 bp	- 100 bp	-	-
Withdrawal rate	+ 20%	- 20%	-	-
Mortality rate	+ 20%	- 20%	-	-

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.6 Sensitivity analysis for actuarial assumptions (continued)

December 31, 2021	**Change in assumption**		**Impact on employees' benefit obligations**	
	Increase in assumption	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
End of service benefits:				
Discount rate	+ 100 bp	- 100 bp	(7,882,116)	1,933,834
Salary growth rate	+ 100 bp	- 100 bp	1,807,955	(7,867,633)
Mortality	+ 20%	- 20%	(3,331,666)	3,300,863
Attrition rate	+ 20%	- 20%	(4,558,065)	1,970,518
Ex-gratia benefits:				
Discount rate	+ 100 bp	- 100 bp	(216,223)	252,744
Salary growth rate	+ 100 bp	- 100 bp	248,064	(216,611)
Mortality	+ 20%	- 20%	(10,076)	10,126
Attrition rate	+ 20%	- 20%	(365,076)	452,054
Long-term incentive plan:				
Discount rate	+ 100 bp	- 100 bp	(19,551)	20,134
Salary growth rate	+ 100 bp	- 100 bp	30,182	(29,593)
Withdrawal rate	+ 20%	- 20%	(21,965)	22,144
Mortality rate	+ 20%	- 20%	(507)	507

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

13.7 Expected cash flows

As at December 31, 2022, the expected cash flows over the next years valued on an undiscounted basis are shown in the table below:

End of service benefits:	**December 31, 2022**	**December 31, 2021**
1 year	**2,270,333**	4,965,514
2 to 4 years	**10,926,279**	13,795,059
5 years and above	**173,716,593**	35,881,139
	186,913,205	54,641,712

Ex-gratia benefits:	**December 31, 2022**	**December 31, 2021**
1 year	**-**	95,457
2 to 4 years	**66,017**	52,458
5 years and above	**10,429,675**	877,122
	10,495,692	1,025,037

(All amounts in Saudi Riyals unless otherwise stated)

13 Employees' benefit obligations (continued)

13.7 Expected cash flows (continued)

Long-term incentive plan:	December 31, 2022	December 31, 2021
1 year	**10,455,449**	3,782,272
2 to 4 years	**9,028,647**	3,136,916
5 years and above	**-**	-
	19,484,096	6,919,188

14 Contingencies and commitments

As of December 31, 2022, the Company has outstanding commitments amounting to Saudi Riyals 22.2 million (2021: Saudi Riyals 32.3 million) on account of investments and payments for purchases of goods and services. As of December 31, 2022, the Company has approved margin / murabaha financing facility limits amounting to Saudi Riyals 2,927 million (2021: Saudi Riyals 3,012 million) to customers, out of which limits amounting to Saudi Riyals 1,425 million (2021: Saudi Riyals 1,767 million) are utilized as of December 31, 2022.

As of December 31, 2022, the Company is subject to a litigation in the normal course of its business. The Company believes that the outcome of the pending legal case will not have a material impact on the Company's financial statements.

15 Other general and administrative expenses

		Year ended 31 December	
	Notes	2022	2021
Information technology related expenses		**21,554,080**	21,182,777
Rentals and premises related expenses		**7,004,457**	7,032,740
Travel and entertainment expenses		**6,652,673**	6,119,636
Legal and professional fees		**5,222,909**	4,466,821
Other expenses		**4,404,379**	3,747,152
Depreciation and amortization	9	**3,139,214**	3,656,648
Remuneration of Board of Directors	16.1	**1,969,420**	1,794,745
Total		**49,947,132**	48,000,519

(All amounts in Saudi Riyals unless otherwise stated)

16 Related party matters

16.1 Related party transactions

In the ordinary course of its activities, the Company transacts business with related parties. In the opinion of the management and the Board of Directors, the related party transactions are carried out in the ordinary course of business.

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	Year ended 31 December	
	2022	**2021**
Banque Saudi Fransi (shareholder):		
Income:		
Custody fee earned	**360,000**	360,000
Income from investment banking services	**262,500**	-
Special commission income on deposits	**77,227,597**	40,150,726
Income from brokerage services	**735,425**	5,926,894
Income under Service Level Agreements ("SLA") - Note 16.1.1	**1,949,051**	1,923,099
Expenses:		
Expenses incurred under Service Level Agreements ("SLA") - Note 16.1.1	**11,311,282**	14,389,829
Commodity traders fees paid	**-**	119,208
Expenses incurred on behalf of the Company	**7,754,763**	7,653,152
Special commission expense on short-term borrowing	**58,979,406**	12,170,649
Allianz Saudi Fransi:		
Management fee	**168,108**	-
Contribution and fees paid on account of staff saving plan	**413,950**	-
Directors, other shareholders, and their affiliates:		
Income:		
Subscription and management fee earned	**1,259,522**	385,014
Special commission income on margin financing / murabaha facilities extended	**3,439,545**	1,440,815
Custody fee earned	**-**	200,000
Income from brokerage services	**5,372,180**	2,288,131
Expenses:		
Company's contribution paid to General Organization for Social Insurance (GOSI)	**5,422,654**	5,622,174
Board of Directors remuneration (Note 15)	**1,969,420**	1,794,745
Mutual funds:		
Management and subscription fees from mutual funds	**42,596,635**	34,529,181

(All amounts in Saudi Riyals unless otherwise stated)

16 Related party matters (continued)

16.1 Related party transactions (continued)

The total amount of salaries and employee related benefits of key management personnel are as follows:

	Year ended 31 December	
	2022	**2021**
Short-term benefit	**27,782,913**	26,220,558
Long-term benefit	**8,861,628**	3,330,000
Long-term incentive plan	**12,000,000**	-
Employees' EOSBs	**3,990,062**	3,423,090

16.1.1 The Company has entered into Service Level Agreements ("SLA") with the Bank for providing various services. Significant outsourced services include information technology, system security, premises, and certain other services.

16.2 Related party balances

Significant year-end balances arising from transactions with related parties are included in the statement of financial position under various financial statement line items and respective notes.

17 Financial instruments and risk management

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

Financial instruments carried on the statement of financial position include cash and bank balances, investments held at FVOCI, investments held at FVSI, receivables against margin / murabaha financing, other receivables, loans to employees - net, short-term borrowings, accrued expenses, and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Risk management responsibilities are held as follows:

Business Unit Management: Primarily responsible for risk management. The process of assessing, evaluating, and measuring risk is ongoing and is integrated into the day-to-day activities of the business. This process includes implementing the Company's risk management framework, identifying issues, and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Company.

Risk Function: Primarily accountable for risk management reporting, providing oversight and independent reporting to management and the Board.

Internal Audit Function: Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Company's Audit Committee.

Compliance and AML Function: Responsible for monitoring and assessment of business compliance with CMA Prudential Rules, including Anti Money Laundering & Counter terrorist financing regulations.

17 Financial instruments and risk management (continued)

17.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices / commission rates.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. Transactions in other foreign currencies are not material. Since US Dollar is pegged to SAR, therefore, there is no foreign exchange risk.

b) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than as a result of foreign currency and commission rate movements), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Exposure

The Company is exposed to price risk on the mutual funds investment, sukuks and equity shares held at FVOCI and equity securities held at FVSI as at December 31, 2022.

Sensitivity

The effect on the Company's equity investments held at FVOCI and FVSI due to reasonable possible changes in prices, will all other variables held constant is as follows

December 31, 2022	**Change in market price**	**Change in equity**
Mutual funds	+/- 10% change in market prices %	**+/- SAR 11,937,353**
Sukuk	+/- 10% change in market prices %	**+/- SAR 34,051,625**
Investments at FVSI	+/- 10% change in market prices %	**+/- SAR 448,499**

December 31, 2021	**Change in market price**	**Change in equity**
Mutual funds	+/- 10% change in market prices %	+/- SAR 10,517,770

c) Cash flow and fair value commission rate risk

Cash flow and fair value commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

Exposure

The Company's commission rate risks arise mainly from its bank balances, margin / murabaha financing, short-term borrowings and sukuk investments. The Company on a regular basis monitors changes in the commission rates and acts accordingly. The Company's receivables from margin financing include both fixed and floating commission rate instruments.

The Company's fixed rate receivables (all murabaha contracts and fixed rate margin financing contracts) are carried at amortized cost and therefore not subject to fair value commission rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market commission rates.

The Company's floating rate instruments are carried at amortized cost, therefore, these do not affect the fair value of instrument, but cash flows / income is affected.

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.1 Market risk (continued)

Sensitivity

With 10% change in the underlying Benchmark rate with all the variables held constant, the income / cash flows for the year will increase / decrease as follows:

December 31, 2022	Change in interest rate	Change in income / cash flows
Bank balance	+/- 10% change in Benchmark rate	SAR 3,487,107 / (SAR 3,487,107)
Margin financing (floating rate)	+/- 10% change in Benchmark rate	SAR 3,333,435 / (SAR 6,482,404)
Short term borrowing	+/- 10% change in Benchmark rate	(SAR 5,806,351) / SAR 5,296,659

December 31, 2021	Change in interest rate	Change in income / cash flows
Bank balance	+/- 10% change in Benchmark rate	SAR 989,315 / (SAR 989,315)
Margin financing (floating rate)	+/- 10% change in Benchmark rate	SAR 647,948 / (SAR 1,557,816)
Short term borrowing	+/- 10% change in Benchmark rate	(SAR 902,383) / SAR 1,001,198

The Company is exposed to fair value commission rate risk on its fixed rate sukuk investment. With +/- 10% change in an interest rate, the fair value of the sukuk will change by SAR 888,035 (2021: SAR 367,256).

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.1 Market risk (continued)

The table below summarizes the Company's exposure to commission rate risks. The amounts are classified on the earlier date of the contractual maturity or the repricing date.

Commission rate risk	No maturity	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2022						
Assets						
Cash and bank balances	786,534,412	-	-	-	10,000	786,544,412
Investments at FVSI	-	-	-	-	4,484,988	4,484,988
Margin / murabaha financing	-	883,555,972	541,506,034	-	-	1,425,062,006
Investments held at fair value through other comprehensive income ("FVOCI") - Sukuk	-	-	-	346,374,232	-	346,374,232
Other receivables	-	-	-	-	352,017,168	352,017,168
Loans to employees - net		840,983	2,525,504	7,935,754	-	11,302,241
Total financial assets	786,534,412	884,396,955	544,031,538	354,309,986	356,512,156	2,925,785,047
Short-term borrowings	-	890,632,842	541,506,034	-	-	1,432,138,876
Accrued and other liabilities	-	-	-	-	184,684,502	184,684,502
Total financial liabilities	-	890,632,842	541,506,034	-	184,684,502	1,616,823,378
Net commission rate sensitivity gap	786,534,412	(6,235,887)	2,525,504	354,309,986	171,827,654	1,308,961,669

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.1 Market risk (continued)

Commission rate risk	No maturity	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
December 31, 2021						
Assets						
Cash and bank balances	1,289,063,836	-	-	-	10,000	1,289,073,836
Margin / murabaha financing	-	325,373,534	1,441,626,657	-	-	1,767,000,191
Investments held at fair value through other comprehensive income (“FVOCI”)	-	-	-	92,851,498	-	92,851,498
Other receivables	-	-	-	-	53,136,802	53,136,802
Loans to employees - net	-	347,182	1,026,425	15,902,524	-	17,276,131
Total financial assets	1,289,063,836	325,720,716	1,442,653,082	108,754,022	53,146,802	3,219,338,458
Short-term borrowings	-	325,912,765	1,441,626,657	-	-	1,767,539,422
Accrued and other liabilities	-	-	-	-	258,089,189	258,089,189
Total financial liabilities	-	325,912,765	1,441,626,657	-	258,089,189	2,025,628,611
Net commission rate sensitivity gap	1,289,063,836	(192,049)	1,026,425	108,754,022	(204,942,387)	1,193,709,847

* The short-term borrowings are payable to the Bank (the “Parent Company’) and are renewed annually.

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(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

Exposure

Cash and cash equivalents are deposited with the Bank, which has sound credit ratings and is a related party. The accrued income mainly relates to amounts due on account of asset management services and is settled within a short period. The receivables relate to margin / murabaha trading portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. Sukuks are issued by the financial institutions with sound credit ratings. The maximum credit exposure equals the carrying amount of the sukuks, placements and other assets.

17.2.1 Credit quality analysis

The following table sets out the credit analysis for financial assets:

As at December 31, 2022	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
Financial assets				
Cash and bank balances	**786,534,412**	**-**	**10,000**	**786,544,412**
Margin/murabaha financing	**-**	**-**	**1,425,062,006**	**1,425,062,006**
Investments held at FVOCI - Sukuk	**346,374,232**	**-**	**-**	**346,374,232**
Other receivables	**-**	**-**	**356,540,297**	**356,540,297**
Loans to employees - net	**-**	**-**	**11,302,241**	**11,302,241**
Total	**1,132,908,644**	**-**	**1,792,914,544**	**2,925,823,188**

As at December 31, 2021	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
Financial assets				
Cash and bank balances	1,289,063,836	-	10,000	1,289,073,836
Margin/murabaha financing	-	-	1,767,000,191	1,767,000,191
Investments held at fair value through other comprehensive income ("FVOCI") - Sukuk	92,851,498	-	-	92,851,498
Other receivables	-	-	53,136,802	53,136,802
Loans to employees - net	-	-	17,276,131	17,276,131
Total	1,381,915,334	-	1,837,423,124	3,219,338,458

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.2 Credit risk (continued)

17.2.1 Credit quality analysis (continued)

Loss allowance on loans to employees

	Note	December 31, 2022 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross amount		**11,338,366**	**-**	**-**	**11,338,366**
Expected credit loss	8.1	**(36,125)**	**-**	**-**	**(36,125)**
		11,302,241	**-**	**-**	**11,302,241**

	Note	December 31, 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross amount		17,389,658	-	-	17,389,658
Expected credit loss	8.1	(113,527)	-	-	(113,527)
		17,276,131	-	-	17,276,131

At December 31, the credit risk exposure for receivable against margin / murabaha financing by geographic region is as follows:

	2022	2021
Saudi Arabia	**1,425,062,006**	1,767,000,191

At December 31, the credit risk exposure for receivables against margin lending by type of customer is as follows:

	2022	2021
Corporate customers	**225,417,835**	30,338,589
Retail customers	**1,199,644,171**	1,736,661,602
	1,425,062,006	1,767,000,191

The value of the collateral held against the receivables against margin lending as at 31 December 2022 is SAR 9.8 billion (2021: SAR 11.4 billion).

At December 31, the credit risk exposure for sukuk investment by geographic region is as follows:

	2022	2021
Saudi Arabia	**146,739,709**	92,851,498
Kuwait	**95,925,262**	-
United Arab Emirates	**53,829,630**	-
Qatar	**49,879,631**	-
	346,274,232	92,851,498

(All amounts in Saudi Riyals unless otherwise stated)

17 Financial instruments and risk management (continued)

17.2 Credit risk (continued)

17.2.1 Credit quality analysis (continued)

During the year, the following ECL charge / (reversal) were recognized in statement of income in relation to financial assets other than FVOCI debt investments:

	Note	2022	2021
ECL charge for other receivables	7.2	**(450,133)**	(592,715)
ECL charge for debt instruments		**(219,951)**	(91,225)
ECL reversal / (charge) for loans to employees	8.1	**77,402**	(3,737)
		(592,682)	(687,677)

17.3 Liquidity risk

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

The Company's liquidity management process is as follows:

a. Day-to-day funding managed by Finance department to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested.
b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
c. Managing the concentration and profile of debt maturities.
d. Liquidity management and asset and liability mismatching.

The following analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, unless material, as the impact of discounting is immaterial.

2022	**Less than 1 year**	**Total**
Short-term borrowings	**1,432,138,876**	**1,432,138,876**
Accrued and other liabilities	**184,684,502**	**184,684,502**
	1,616,823,378	**1,616,823,378**
2021		
Short-term borrowings	1,767,539,422	1,767,539,422
Accrued and other liabilities	258,089,189	258,089,189
	2,025,628,611	2,025,628,611

For the presentation of liquidity gap between financial assets and financial liabilities for the year ended December 31, 2022 and 2021, please see Note 17.1.

17.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider 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 in managing operational risk is to ensure control of the Group's resources by protecting the assets of the Company and minimizing the potential for financial loss.

17 Financial instruments and risk management (continued)

17.4 Operational risk (continued)

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring, and measuring the risks associated with operations. The management of operational risk has a key objective of minimizing the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

18 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor, and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. As at December 31, 2022, the Company was in compliance with the externally imposed capital restrictions.

19 Fair value estimation

As at December 31, 2022 and 2021, the fair values of the Company's financial instruments are estimated to approximate their carrying values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

19 Fair value estimation (continued)

The table below presents the financial assets and financial liabilities at their fair values based on the fair value hierarchy.

At December 31, 2022	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and bank balances	786,544,412	-	-	786,544,412	786,544,412
Margin / murabaha financing	1,425,062,006	-	-	1,425,062,006	1,425,062,006
Other receivables	352,017,168	-	-	352,017,168	352,017,168
Loans to employees - net	11,302,241	-	-	11,302,241	11,302,241
Financial assets measured at fair value					
Investments held at FVOCI					
- Mutual Funds	119,373,535	-	-	119,373,535	119,373,535
- Sukuks	346,374,232	293,604,587	52,769,645	-	346,374,232
- Equities	75,025,000	-	-	75,025,000	75,025,000
	540,772,767	293,604,587	52,769,645	194,398,535	540,772,767
Investments held at FVSI	4,484,988	4,484,988	-	-	4,484,988
	3,120,183,582	298,089,575	52,769,645	2,769,324,362	3,120,183,582
Financial liabilities not measured at fair value					
Short-term borrowings	1,432,138,876	-	-	1,432,138,876	1,432,138,876
Accrued and other liabilities	184,684,502	-	-	184,684,502	184,684,502
	1,616,823,378	-	-	1,616,823,378	1,616,823,378

(All amounts in Saudi Riyals unless otherwise stated)

19 Fair value estimation (continued)

		Fair value			
At December 31, 2021	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and bank balances	1,289,073,836	-	-	1,289,073,836	1,289,073,836
Margin / murabaha financing	1,767,000,191	-	-	1,767,000,191	1,767,000,191
Other receivables	54,386,802	-	-	54,386,802	54,386,802
Loans to employees - net	17,276,131	-	-	17,276,131	17,276,131
Financial assets measured at fair value					
Investments held at FVOCI					
- Mutual Funds	105,177,698	-	-	105,177,698	105,177,698
- Sukuks	92,851,497	42,343,347	50,508,150	-	92,851,497
- Equities	25,000	-	-	25,000	25,000
	198,054,195	42,343,347	50,508,150	105,202,698	198,054,195
	3,325,791,155	42,343,347	50,508,150	3,232,939,658	3,325,791,155
Financial liabilities not measured at fair value					
Short-term borrowings	1,767,539,422	-	-	1,767,539,422	1,767,539,422
Accrued and other liabilities	258,089,189	-	-	258,089,189	258,089,189
	2,025,628,611	-	-	2,025,628,611	2,025,628,611

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended December 31, 2022 and 2021, there were no transfers into or out of Level 3 fair value measurements.

The fair values of financial position financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and bank balances, other receivables, loan to employees and accrued and other liabilities which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

Margin / murabaha financing classified as level 3 has been valued using expected cash flows discounted at Company's weighted average cost of capital.

Equity investments at FVOCI classified as level 3 are carried at cost as it approximates fair value. Mutual Fund investments have been revalued to fair value as at 31 December 2022.

Investments held at FVSI are classified in level 1 as they are quoted equities that are actively traded in market.

Sukuk investments classified in level 1 are quoted and actively traded in market while those in level 2 are not actively traded in market.

Short-term borrowings classified as level 3 has been valued based on the expected cashflows discounted using the market rate as at December 31, 2022.

(All amounts in Saudi Riyals unless otherwise stated)

20 Financial instruments by category

All financial assets and financial liabilities for the years ended December 31, 2022 and 2021, are classified under amortized cost category except for investment held at FVOCI, which is classified and measured at fair value.

	Measurement category	As at December 31, 2022	As at December 31, 2021
Financial assets			
Cash and bank balances	Amortized cost	**786,544,412**	1,289,073,836
Margin / murabaha financing	Amortized cost	**1,425,062,006**	1,767,000,191
Investments	Investments held at FVOCI	**540,772,767**	198,054,195
Investments	Investments held at FVSI	**4,484,988**	-
Other receivables	Amortized cost	**352,017,168**	54,386,802
Loans to employees - net	Amortized cost	**11,302,241**	17,276,131
Total financial assets		**3,120,183,582**	3,325,791,155
Financial liabilities			
Short-term borrowings	Amortized cost	**1,432,138,876**	1,767,539,422
Accrued and other liabilities	Amortized cost	**184,684,502**	258,089,189
Total financial liabilities		**1,616,823,378**	2,025,628,611

21 Assets held under fiduciary capacity

As of December 31, 2022, cash held under fiduciary capacity amounting to Saudi Riyals 8.3 billion (2021: Saudi Riyals 8.1 billion) was kept in a pool account with the Bank. These amounts were kept with the Company by its customers for the purpose of investment in the local, international equity markets and investment funds.

Further, as of December 31, 2022, shares amounting to Saudi Riyals 29 million (2021: Saudi Riyals 106 million) were kept by the Company on behalf of the customers under equity swap arrangements.

The mutual funds' assets related to the funds' unit holders managed by the Company amounted to Saudi Riyals 4.9 billion as of December 31, 2022 (2021: Saudi Riyals 5.2 billion).