SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SICO Capital Company.

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SICO Capital Company (Continued)

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of SICO Capital Company (Continued)

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

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

Other Matter

The financial statements of the Company for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2023.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi

Certified Public Accountant

License No. 354

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EY
سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Riyadh: 18 Ramadan 1445H

(28 March 2024)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	***31 December 2023 SR (Audited)***	*31 December 2022 SR (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	**2,829,625**	3,642,873
Right of use assets	5	**2,515,070**	3,309,303
Intangible assets	6	**133,075**	197,388
Investments held at fair value through profit or loss	7	**17,458,504**	7,006,551
Investments held at amortized cost	8	**20,224,715**	40,105,003
TOTAL NON-CURRENT ASSETS		**43,160,989**	54,261,118
CURRENT ASSETS			
Murabaha deposits	9	**15,000,000**	5,001,625
Receivables against margin lending	10	**-**	12,014,916
Account receivables	11	**12,049,020**	3,385,800
Prepayments and other current assets	12	**2,193,958**	3,706,768
Cash and cash equivalents	13	**4,080,879**	6,923,828
TOTAL CURRENT ASSETS		**33,323,857**	31,032,937
TOTAL ASSETS		**76,484,846**	85,294,055
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**60,000,000**	60,000,000
Statutory reserve		**2,982,253**	2,982,253
(Accumulated losses) /Retained earnings		**(428,957)**	5,558,786
TOTAL EQUITY		**62,553,296**	68,541,039
LIABILITIES			
NON-CURRENT LIABILITIES			
Provision for labour law and staff obligation	27	**1,290,287**	719,573
Lease liability	15	**1,658,959**	2,452,423
TOTAL NON-CURRENT LIABILITIES		**2,949,246**	3,171,996
CURRENT LIABILITIES			
Accrued expenses and other liabilities	16	**8,607,101**	11,090,552
Zakat and income tax payable	17	**1,581,805**	1,729,536
Lease liability	15	**793,398**	760,932
TOTAL CURRENT LIABILITIES		**10,982,304**	13,581,020
TOTAL LIABILITIES		**13,931,550**	16,753,016
TOTAL EQUITY AND LIABILITIES		**76,484,846**	85,294,055

Hassan Al Shuaiby	Najla Al Shirawi	Bassam Noor
Chairman	Vice chairperson	Chief Executive Officer

The attached notes from 1 to 31 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
For the year ended 31 December 2023

		For the year ended 31 December	
		2023	2022
		SR	*SR*
		(Audited)	*(Audited)*
	Notes		
INCOME			
Net fee income	*18*	**20,967,998**	18,056,466
Brokerage and other income	*20*	**2,221,792**	3,053,617
Net investment income	*19*	**2,114,877**	982,736
Special commission income from Murabaha deposits		**469,793**	182,687
Income from corporate finance advisory		**-**	270,000
Other income	*21*	**981,871**	-
TOTAL INCOME		**26,756,331**	22,545,506
EXPENSES			
Salaries and employee related expenses	*22*	**(18,551,384)**	(14,129,216)
General and administrative expenses	*23*	**(13,158,622)**	(10,714,583)
TOTAL EXPENSES		**(31,710,006)**	(24,843,799)
NET LOSS BEFORE ZAKAT AND TAX		**(4,953,675)**	(2,298,293)
Zakat and income tax		**(1,034,068)**	(598,410)
NET LOSS FOR THE YEAR		**(5,987,743)**	(2,896,703)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(5,987,743)**	(2,896,703)

Hassan Al Shuaiby
Chairman

Najla Al Shirawi
Vice chairperson

Bassam Noor
Chief Executive Officer

The attached notes from 1 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital SR	*Statutory reserve SR*	*(Accumulated losses) / Retained earnings SR*	*Total SR*
Balance at 1 January 2023 *(Audited)*	**60,000,000**	**2,982,253**	**5,558,786**	**68,541,039**
Net loss for the year	**-**	**-**	**(5,987,743)**	**(5,987,743)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**-**	**-**	**(5,987,743)**	**(5,987,743)**
Balance at 31 December 2023 *(Audited)*	**60,000,000**	**2,982,253**	**(428,957)**	**62,553,296**
Balance at 1 January 2022	60,000,000	2,982,253	8,455,489	71,437,742
Net loss for the year	-	-	(2,896,703)	(2,896,703)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(2,896,703)	(2,896,703)
Balance at 31 December 2022	60,000,000	2,982,253	5,558,786	68,541,039

Hassan Al Shuaiby
Chairman

Najla Al Shirawi
Vice chairperson

Bassam Noor
Chief Executive Officer

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	***For year ended 31 December*** ***2023*** ***SR*** **(Audited)**	*2022* *SR* *(Audited)*
OPERATING ACTIVITIES			
Net loss before zakat and tax for the year		**(4,953,675)**	(2,298,293)
Adjustments for:			
Depreciation	*4*	**883,992**	636,276
Amortization	*5, 6*	**858,546**	710,106
Net unrealized (gain) / loss on investments at fair value through profit or loss	*19*	**(806,005)**	12,012
Net realized (gain) / loss on investments at fair value through profit or loss	*19*	**(151,724)**	(831,711)
Reversal on allowance for expected credit losses	*10*	**(239,235)**	(186,195)
Special commission income on Murabaha deposits		**(469,792)**	(182,687)
Financing cost		**-**	401,180
Special commission income from investment held at amortized cost	*8*	**(871,050)**	(108,920)
Accretion of discount on investment held at amortized cost	*8*	**(342,712)**	(54,119)
Provision for employees' end of service benefits		**816,455**	513,355
Finance cost on lease rental	*15*	**98,396**	101,587
Movement in operating assets and liabilities:			
Receivables against margin lending	*10*	**12,254,151**	34,799,130
Accounts receivable	*11*	**(8,663,220)**	11,469,299
Prepayments and other assets	*12*	**1,512,810**	(1,300,132)
Accrued expenses and other liabilities	*16*	**(2,483,451)**	4,574,311
Cash generated from operating activities		**2,620,290**	49,542,608
Zakat and income tax paid	*17*	**(1,713,753)**	(1,965,205)
Zakat and income refund	*17*	**531,954**	-
Employees' end of service benefits paid	*27*	**(245,740)**	(2,001,005)
Net (used in)/ generated from operating activities		**(3,984,053)**	44,288,989
INVESTING ACTIVITIES			
Investment in Murabaha deposits		**(30,000,000)**	(10,000,000)
Special commission received on Murabaha deposits		**471,418**	185,728
Murabaha deposits matured		**20,000,000**	45,000,000
Purchase of property and equipment		**(76,245)**	(4,083,875)
Purchase of intangible asset		**-**	(133,420)
Proceeds from sale of property and equipment		**5,500**	3,800
Purchase of investments held at fair value through profit or loss	*7*	**(22,854,693)**	(26,491,196)
Income from sale of investment held at fair value through profit or loss	*7*	**13,360,469**	45,829,784
Purchase of investment held at amortized cost	*8*	**(9,911,912)**	-
Proceeds from investment held at amortized cost	*8*	**29,850,000**	(40,053,177)
Special commission income from investment held at amortized cost	*8*	**1,155,962**	111,213
Net cash generated from investing activities		**2,000,499**	10,368,857

The attached notes from 1 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2023

		2023	2022
		SR	*SR*
FINANCING ACTIVITIES			
Repayment of short-term borrowings		**-**	(46,900,000)
Finance cost paid		**-**	(490,028)
Lease liability paid	*15*	**(859,395)**	(859,395)
Net cash used in financing activities		**(859,395)**	**(48,249,423)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(2,842,949)**	6,408,423
Cash and cash equivalents at beginning of the year		**6,923,828**	515,405
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**4,080,879**	6,923,828

Hassan Al Shuaiby
Chairman

Najla Al Shirawi
Vice chairperson

Bassam Noor
Chief Executive Officer

The attached notes from 1 to 31 form an integral part of these financial statements.

1. ACTIVITES

SICO Capital Company ("the Company"), is a Saudi Closed Joint Stock Company, established and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010259328 on 29 Rabi Al Awwal 1438H (corresponding to 28 December 2016). The Company's registered office is located at the following address:

5th floor, CMC Tower,
P.O Box 54488
7702 King Fahad Road, AlMalqa District 4204
Riyadh Saudi Arabia

The principal activities of the Company are dealing, managing investments and operating funds, arranging, advising and custody services as per the license of the Capital Market Authority ("CMA") number 37-08096 dated 26 Muharram 1431H (corresponding to 12 January 2010).

2. BASIS OF PREPARATION

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

2.2 Basis of measurement
These financial statements have been prepared under the historical cost convention except for fair value of investments held at fair value through profit or loss. Furthermore, the employees' benefit obligation is measured at present value of the defined benefit obligation. The company have a clearly identifiable operating cycle and presents current and non-current assets and liabilities separately in the statement of financial position.

2.3 Going Concern
Company's management has made an assessment of its ability to continue as a going concern and it is satisfied that it has sufficient financial resources and that it will be able to continue as a going concern in the foreseeable future. Furthermore, the Company and the management are not aware of any other material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on going concern basis.

2.4 Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals ("SR"), which is also the functional currency of the Company.

2.5 Standard amendments issued and effective.
Following are the amendments to standards which are effective for annual periods beginning on or after 1 January 2023. The adoption of these new standards did not have a significant impact on the financial statements of the Company.

- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.

2.6 Standard amendments issued but not yet effective.
Following are the new amendments to standards, which are effective for annual periods beginning on, or after 1 January 2024 and earlier application is permitted however, the Company has not early adopted them in preparing these financial statements. The following standards are not expected to have a significant impact on the financial statements of the Company upon adoption:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies, estimates, assumptions and risk management policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2022.

3.1 Leases

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

Right of Use Assets ("ROU")

The Company applies the cost model, and measures right of use asset at cost;

- Less any accumulated depreciation and any accumulated impairment losses; and
- Adjusted for any re-measurement of the lease liability for lease modifications.

Generally, ROU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, and other expenses related to transaction etc. then these need to be added to the ROU asset value.

Lease Liability

On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method by:

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

3.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a 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 to the Company's shareholders.

3.3 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 an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.4 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 profit or loss.

3.5 Cash and cash equivalents

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

3.6 Current vs. non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.7 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 3-5 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.

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 profit or loss when the asset is derecognized.

3.8 Revenue recognition

The Company recognizes revenue as and when the performance obligations are met. The Company has the following streams of revenue:

Asset management fees

Asset management fees are recognized based on a fixed percentage subject to applicable terms and conditions and/or agreements. 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.

Brokerage commission

Brokerage commission is recognized when the related transactions are executed by 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 customer carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Income from corporate finance advisory

Income from corporate finance advisory assignments is recognized, when services are determined to be completed in accordance with the underlying agreement, agreed with the customer and invoiced, as generally set for under the terms of the engagement.

Special commission income from margin lending

Special commission income from margin lending is recognized on an accrual basis based on effective commission rate method.

Fee from non-discretionary portfolio management

Fee from non-discretionary portfolio management represents fee from murabaha arrangements which relates to commission earned upfront based on service performed relating to murabaha arrangement for customers. The income is recognized upfront upon performance of services.

Speci*al commission income from murabaha deposits*

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Net gain / (loss) from financial assets at fair value through profit or loss

This includes all gains and losses from changes in fair values and disposal of financial instruments measured at fair value through profit or loss.

3.9 Employees' end of service benefits

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plan are carried out internally based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in statement of profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

3.10 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

- Leasehold improvements 5 Years
- Furniture and fixtures 5 Years
- Office equipment and computers 5 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. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

3.11 Classification and 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 profit or loss (FVTPL)

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of profit or loss.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The 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 fair value through profit and loss.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

SPPI: 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 interest (the "SPPI" 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.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:
<u>Amortized cost:</u> Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortized cost. Profit earned from these financial assets is recognized in the statement of profit or loss using the effective commission rate method.

<u>Fair value through profit or loss (FVTPL):</u> If debt instrument's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVTPL, then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of profit or loss, in the period in which it arises. Special commission income earned from these financial assets is recognized in the statement of profit or loss using the effective commission rate method.

<u>Fair value through other comprehensive income (FVOCI):</u> 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 interest, and that are not designated at FVTPL, 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 profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from statement of changes in equity to statement of profit or loss.

Equity instruments
The Company measures all equity investments at FVTPL, 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 profit or loss, including on disposal. 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 profit or loss when the Company's right to receive payments is established.

3.12 Financial instruments and Risk management
Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, fair value risk and operational risk. The Company ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, receivables against margin lending, receivables and other assets, murabaha deposits, accrued expenses and other current liabilities and short-term borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset, and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.12.1 Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Foreign exchange risk
Foreign exchange 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. Management monitors the exposures and fluctuations in foreign exchange rates and believes that the foreign exchange risk is not significant.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company’s financial positions and cash flows. The Company's commission rate risks arise mainly from its investments held at amortised cost and murabaha deposits with Banque Saudi Fransi. The Company’s investments at amortised cost and murabaha deposits are held at fixed commission rates. The Company on regular basis monitor changes in the commission rates and acts accordingly.

Commission rate risk	***Within 3 months***	***3-12 Months***	***Over 1 year***	***Non-commission bearing***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***
31 December 2023					
Current assets					
Cash at bank	-	-	-	4,080,879	4,080,879
Murabaha deposits	15,000,000	-	-	-	15,000,000
Investment held at fair value through profit or loss	-	-	-	17,458,504	17,458,504
Investment held at amortized cost	-	-	20,224,715		20,224,715
Receivable against margin lending	-	-	-	-	-
Accounts receivable	-	-	-	12,049,020	12,049,020
Total assets	**15,000,000**	**-**	**20,224,715**	**33,588,403**	**68,813,118**
Accrued expenses and other liabilities	-	-	-	8,607,101	8,607,101
Total shareholders’ equity	-	-	-	62,553,296	62,553,296
Total liabilities and shareholders’ equity	**-**	**-**	**-**	**(71,160,397)**	**(71,160,397)**
Total commission rate sensitivity gap	**15,000,000**	**-**	**20,224,715**	**(37,571,994)**	**(2,347,279)**
Cumulative commission rate sensitivity gap	**15,000,000**	**15,000,000**	**35,224,715**	**(2,347,279)**	**-**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Commission rate risk	*Within 3 months* *SR*	*3-12 Months* *SR*	*Over 1 year* *SR*	*Non-commission bearing* *SR*	*Total* *SR*
31 December 2022					
Current assets					
Cash at bank	-	-	-	6,923,828	6,923,828
Murabaha deposits	5,001,625	-	-	-	5,001,625
Investment held at fair value through profit or loss	-	-	-	7,006,551	7,006,551
Investment held at amortized cost	-	10,027,162	30,077,841		40,105,003
Receivable against margin lending	-	12,014,916	-	-	12,014,916
Accounts receivable	-	-	-	3,385,800	3,385,800
Total assets	5,001,625	22,042,078	30,077,841	17,316,179	74,437,723
Accrued expenses and other liabilities	-	-	-	11,090,552	11,090,552
Total shareholders' equity	-	-	-	68,462,688	68,462,688
Total liabilities and shareholders' equity	-	-	-	(79,553,240)	(79,553,240)
Total commission rate sensitivity gap	5,001,625	22,042,078	30,077,841	(62,237,061)	(5,115,517)
Cumulative commission rate sensitivity gap	5,001,625	27,043,703	57,121,544	(5,115,517)	-

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is exposed to market risk with respect to its investments in mutual funds. The Company limits market risks by only investing in the mutual funds managed by the Company.

Management's best estimate of the effect on statement of profit or loss for a year due to a reasonably possible change in NAV, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent increase/decrease shown below would result in an equivalent, but opposite, impact.

		Effect on statement of profit or loss for the years ended	
Variable	**Change in NAV%**	**31 December 2023** ***SR***	31 December 2022 *SR*
Net Asset Value (NAV)	±5	**± 872,925**	± 350,328

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.12.2 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. The Company is exposed to credit risk on cash at bank, murabaha deposits and account receivables as follows:

	Notes	As at 31 December **2023** ***(Audited)*** ***SR***	2022 *(Audited)* *SR*
Cash at bank	*13*	**4,080,879**	6,923,828
Murabaha deposits	*9*	**15,000,000**	5,001,625
Investment held at amortized cost	*8*	**20,224,715**	40,105,003
Receivable against margin lending	*10*	**-**	12,014,916
Account receivables	*11*	**12,049,020**	3,385,800
Total		**51,354,614**	67,431,172

Cash and deposits are placed with Banque Saudi Fransi, having sound credit rating. Investments held at amortized costs are exposures to the domestic sovereign debt. Account receivables comprise of management fees from funds managed by the company and performance fees from the company's discretionary portfolio management clients having low credit risk and the impact of ECL is not considered to be significant.

Credit quality analysis

The following table sets out the credit analysis for financial assets as at 31 December 2023.

	Investment grade ***SR***	**Unrated** ***SR***	**Total** ***SR***
Financial assets			
Cash and cash equivalents	4,080,879	-	4,080,879
Murabaha deposits	15,000,000	-	15,000,000
Investment held at amortized cost	20,224,715	-	20,224,715
Accounts receivable	-	12,049,020	12,049,020
Total	**39,305,594**	**12,049,020**	**51,354,614**

The following table sets out the credit analysis for financial assets as at 31 December 2022.

	Investment Grade *SR*	Unrated *SR*	Total *SR*
Financial assets			
Cash and cash equivalents	6,923,828	-	6,923,828
Murabaha deposits	5,001,625	-	5,001,625
Investment held at amortized cost	40,105,003	-	40,105,003
Receivable against margin lending	-	12,014,916	12,014,916
Accounts receivable	-	5,310,664	5,310,664
Total	**52,030,456**	**17,325,580**	**69,356,036**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.12.3 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:

- 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:
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements
- Managing the concentration and profile of debt maturities
- Liquidity management and asset and liability mismatching

The following analyses the Company’s financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the below table are the contractual undiscounted cash flows. Balances due equal their carrying amounts. Borrowings are at variable rate and is due for repayments within 1 year hence the impact of discounting is not significant.

	Due within 1 year *SR*	Due after 1 year *SR*
31 December 2023		
Accrued expenses and other liabilities	**8,607,101**	**-**
Total	**8,607,101**	**-**
31 December 2022		
Accrued expenses and other current liabilities	11,090,552	-
Total	11,090,552	-

3.12.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company manages operational risk within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective of managing operational risk is to ensure that adequate controls are in place to protect the assets and reputation of the Company and to minimise the potential for financial loss.

The Company’s risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with its operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors.

These tools include a loss database of operational risks events categorised according to CMA Prudential Rules, business lines, operational risk event types, implementation of a risk and control self-assessment process to analyse business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimising the impact of losses that could be suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering unexpected losses. High impact risks and issues of critical importance are reported to the Risk Committee along with root cause analysis and corrective actions.

4. PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture and fixtures	Office equipment	Computers	Total
Cost					
Balance as at 1 January 2023	**3,012,036**	**150,762**	**1,521,109**	**4,372,480**	**9,056,387**
Additions during the year	-	14,908	3,680	57,656	76,244
Disposals during the year	(293,083)	-	-	-	(293,083)
Balance as at 31 December 2023	**2,718,953**	**165,670**	**1,524,789**	**4,430,136**	**8,839,548**
Accumulated depreciation					
Balance as at 1 January 2023	**682,791**	**97,324**	**419,489**	**4,213,910**	**5,413,514**
Charge for the year	543,699	35,142	259,011	46,140	883,992
Disposals	(287,583)	-	-	-	(287,583)
Balance as at 31 December 2023	**938,907**	**132,466**	**678,500**	**4,260,050**	**6,009,923**
Net book value					
As at 31 December 2023	**1,780,046**	**33,204**	**846,289**	**170,086**	**2,829,625**
Cost					
Balance as at 1 January 2022	287,583	138,861	267,249	4,283,269	4,976,962
Additions during the year	2,724,453	11,901	1,253,860	93,661	4,083,875
Disposals during the year	-	-	-	(4,450)	(4,450)
Balance as at 31 December 2022	3,012,036	150,762	1,521,109	4,372,480	9,056,387
Accumulated depreciation					
Balance as at 1 January 2022	287,583	69,353	236,276	4,184,675	4,777,887
Charge for the year	395,208	27,971	183,213	29,885	636,277
Disposals				(650)	(650)
Balance as at 31 December 2022	682,791	97,324	419,489	4,213,910	5,413,514
Net book value					
As at 31 December 2022	2,329,245	53,438	1,101,620	158,570	3,642,873

5. RIGHT OF USE ASSETS

Right of use asset relates to leased property.

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Balance as at 1 January	**3,309,303**	3,971,163
Additions during the year	**-**	-
Depreciation charge for the year	**(794,233)**	(661,860)
Balance as at 31 December	**2,515,070**	3,309,303

6. INTANGIBLE ASSETS

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Cost:		
Balance as at 1 January	**7,755,100**	7,621,680
Additions during the year	**-**	133,420
Disposals during the year	**(3,139,085)**	
Balance as at 31 December	**4,616,015**	7,755,100
Accumulated amortization:		
Balance as at 1 January	**7,557,712**	7,509,466
Charge for the year	**64,313**	48,246
Disposals during the year	**(3,139,085)**	
Balance as at 31 December	**4,482,940**	7,557,712
Net book value as at 31 December	**133,075**	197,388

7. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

As at 31 December 2023, investment securities classified as FVTPL comprises of investments in units of the SICO Money Market Fund and the Riyadh Real Estate Fund. No pledge was made against these investments.

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Balance as at 1 January	**7,006,551**	25,525,440
Purchased during the year	**22,854,693**	26,491,196
Sold during the year	**(13,360,469)**	(45,829,784)
Change in fair value	**957,729**	819,699
Balance as at 31 December	**17,458,504**	7,006,551

Following is the breakdown of the investments:

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Money Market Fund	**14,266,754**	4,310,059
Riyadh Real Estate Fund	**3,191,750**	2,696,492
	17,458,504	7,006,551

8. INVESTMENTS HELD AT AMORTIZED COST

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Balance as at 1 January	**40,105,003**	-
Purchase during the year	**9,911,912**	39,556,210
Sold during the year	**(29,850,000)**	-
Accrued special commission income	**871,050**	494,674
Sukuk Coupon received	**(1,155,962)**	-
Accretion of discount	**342,712**	54,119
Balance as at 31 December	**20,224,715**	40,105,003

9. MURABAHA DEPOSITS

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Murabaha deposits	**15,000,000**	5,000,000
Accrued special commission	**-**	1,625
	15,000,000	5,001,625

10. RECEIVABLES AGAINST MARGIN LENDING

	Notes	***31 December 2023 SR (Audited)***	*31 December 2022 SR (Audited)*
Balance as at 1 January		**-**	12,100,010
Commission income receivable		**-**	154,141
Allowance for expected credit losses	10.1	**-**	(239,235)
Balance as at 31 December		**-**	12,014,916

10.1 Following is the movement of the allowance for expected credit losses.

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Balance as at 1 January	**239,235**	425,430
Reversal for the year	**(239,235)**	(186,195)
Balance as at 31 December	-	239,235

All margin lending receivable balances were collected during the year hence the reversal of the expected credit losses provided in prior period.

11. ACCOUNT RECEIVABLES

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Discretionary portfolio management	**10,762,628**	2,289,186
Funds under management	**822,740**	514,042
Murabaha arrangements – Non-discretionary portfolio management	**366,331**	338,035
Income from corporate finance advisory	**-**	115,000
Others receivables	**97,321**	131,909
	12,049,020	3,385,800

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	***31 December 2023 SR (Audited)***	*31 December 2022 SR (Audited)*
Receivable from brokerage services		**-**	1,250,192
Refundable from ZATCA		**531,954**	1,021,553
Staff loan		**37,824**	667,017
Prepaid insurance		**567,362**	277,182
Prepaid subscription		**99,999**	99,999
Others	12.1	**956,819**	390,825
		2,193,958	3,706,768

12.1 This includes input tax and other prepaid expenses.

13. CASH AND CASH EQUIVALENTS

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Cash at banks	**4,080,879**	6,923,828
	4,080,879	6,923,828

As of date, the Company's balance with banks is held in current accounts and does not earn profit.

14. SHARE CAPITAL

The Company's share capital structure as at 31 December 2023 and 31 December 2022 is as follows:

Shareholders	**Ownership**	**No. of shares**	**Amount**
SICO BSC (c) ("the Parent")	100%	6,000,000	60,000,000
Total	**100%**	**6,000,000**	**60,000,000**

15. LEASE LIABILITY

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
As at 1 January	**3,213,355**	3,971,163
Additions during the year	**-**	-
Interest expense for the year	**98,397**	101,587
Payment for lease liability	**(859,395)**	(859,395)
As at 31 December	**2,452,357**	3,213,355
Lease liability on right-of-use asset – current	**793,398**	760,932
Lease liability on right-of-use asset – non-current	**1,658,959**	2,452,423
	2,452,357	3,213,355

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Accrued employee salaries and benefits	**2,290,023**	1,116,429
Management fee payable	**1,207,041**	959,657
VAT payable	**1,290,092**	295,014
Accrued professional fees	**761,140**	959,047
Payable to software vendor	**297,704**	2,409,281
Payable to parent	**-**	885,782
Board remuneration payable	**325,000**	348,000
Tax provision	**1,726,631**	1,726,636
Others	**709,470**	2,390,706
	8,607,101	11,090,552

17. ZAKAT AND INCOME TAX PAYABLE

The Company is subject to zakat and income taxes in accordance with the regulation of the Zakat, Tax and Customs Authority ("ZATCA").

The movement in zakat and income tax payable is as follows:

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Balance as at 1 January	**1,729,536**	2,074,778
Provision for zakat and income taxes for the year	**1,049,851**	707,983
Prior period over provision	**(15,783)**	(109,573)
Sukuk refund adjustments	**531,954**	1,021,553
Payments during the year	**(1,713,753)**	(1,965,205)
Balance as at 31 December	**1,581,805**	1,729,536

17.1 Status of assessment

The Company has filed its income tax returns up to the year ended 31 December 2022 with Zakat, Tax and Customs Authority ("ZATCA").

ZATCA has assessed the tax position of the Company for fiscal years 2014, 2015, 2017 and 2018 and has issued additional demands relating to income tax and zakat. The Company has filed an appeal against the demands. For years 2014, 2015, 2017 and 2018, the Company has proceeded to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR"). The management believe that the exposure for these open assessments will not be more than the recorded tax provision as of 31 December 2023. In addition, the Company is covered by an indemnity clause in their purchase agreement with Bank Muscat since these assessments are related to years prior to the acquisition.

For the years ended 31 December 2016, 2019 and 2020, 2021 and 2022 the tax returns of the Company are not yet assessed by the ZATCA.

18. NET FEE INCOME

		For the year ended	
	Note	***31 December 2023 SR (Audited)***	*31 December 2022 SR (Audited)*
Mutual funds under management	*18.1*	**2,325,858**	2,747,268
Discretionary portfolio management		**18,317,780**	14,517,948
Non-discretionary portfolio management		**324,360**	791,250
Net Fee income		**20,967,998**	18,056,466

18.1 Includes management and administration fees earned from public and private funds management by SICO Capital Company.

19. NET INVESTMENT INCOME

	For the year ended	
	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Unrealized gain / (loss) from funds	**806,005**	(12,012)
Realized gain from funds	**151,724**	831,711
Income from Sukuk investment	**1,157,148**	163,037
Net investment income	**2,114,877**	982,736

20. BROKERAGE AND OTHER INCOME

	For the year ended	
	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Brokerage commission fees	**1,741,068**	1,701,294
Commission income – Margin loan	**375,126**	1,337,039
Other brokerage fees	**105,598**	7,284
Margin renewal fees	**-**	8,000
Brokerage and other income	**2,221,792**	3,053,617

21. OTHER INCOME

This income relates to a reversal of SICO BSC (Parent) staff travel expense allocation previously expensed in 2022 and was reversed during the year.

22. SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended	
	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Employee salaries	**17,386,581**	13,416,974
Social security cost	**858,525**	553,820
Post-employment benefits other than pension	**306,278**	158,422
Total Salaries and employee related expenses	**18,551,384**	14,129,216

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	*For the year ended* ***31 December 2023*** ***SR*** ***(Audited)***	*31 December 2022* *SR* *(Audited)*
IT software expenses		**4,947,486**	4,041,993
Legal and professional fees		**3,512,851**	1,611,111
Depreciation		**883,992**	636,276
Amortization		**858,546**	710,106
Governmental and licensing		**437,734**	464,110
Communications		**1,048,353**	744,091
Board remuneration		**341,319**	429,744
Premises and rental		**122,308**	325,021
Travelling expenses		**294,438**	904,390
Marketing and advertising		**-**	108,200
Finance cost		**-**	401,180
Reversal of allowance for expected credit losses	*10.1*	**(239,235)**	(186,195)
Other expenses		**950,830**	524,556
Total General and administrative expenses		**13,158,622**	10,714,583

24. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company transacts business with related parties.
Transactions with related parties are carried out on mutually agreed terms approved by management of the Company.

Related parties include:

- Shareholders and its affiliated companies;
- Funds managed by the Company;
- Board of Directors; and
- Key management personnel.

The following are the details of the Company's Shareholders and their affiliated companies;

Related parties	**Relationship**
SICO BSC (c)	Parent
Bank Muscat	Shareholder of parent
Bank Muscat Saudi Arabian branch	Registered branch of shareholder of parent

The following are the details of mutual funds that are managed by the company;

Public funds:	***Private funds:***
SICO Saudi REIT Fund	Riyadh Real Estate Fund
SICO Capital GCC Dividend Growth Fund	SICO Al Qasr Real Estate Fund
SICO Capital Money Market Fund	SICO Capital Khairat Fund

24. RELATED PARTY (CONTINUED)

The significant transactions with the related parties, are as follows:

		For the year ended	
		31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Nature of transaction	***Relationship***		
Management fee expenses	Shareholder of parent	**2,163,230**	1,325,631
Discretionary portfolio management fee	Shareholder of parent	**2,175,296**	1,825,893
Rental paid*	Shareholder of parent	**-**	249,652
Finance cost	Shareholder of parent	**-**	401,180
Asset management fee from mutual funds	Mutual Fund	**2,684,665**	2,476,738
Discretionary portfolio admin fee	Subsidiary of parent	**289,520**	238,144
Board remuneration	Board of Directors	**341,318**	429,744
Murabaha profit from deals placed with parent	Parent	**73,540**	-

*This represents cost allocation from the Bank Muscat – Saudi Arabian branch for office premises rent, IT data center and data recovery site cost under cost sharing agreement.

The balances with related parties are as follows;

	31 December 2023 SR (Audited)	*31 December 2022 SR (Audited)*
Investment in Money Market Fund	**14,266,754**	4,310,059
Investment in Riyadh Real Estate Fund	**3,191,774**	2,696,492
Accrued fees from mutual funds under management	**822,740**	514,042
Accrued discretionary portfolio management fee from shareholder of parent	**2,049,180**	1,389,150
Management fee payable to shareholder of parent	**1,986,685**	2,672,069
Admin fee payable to subsidiary of Parent	**95,657**	207,079
Board Remuneration payable	**325,000**	348,000
Payable to Parent	**-**	885,782

Compensation paid to key management personnel	***31 December 2023 SR (Audited)***	*31 December 2022 SR (Audited)*
Salaries and allowances	**5,095,182**	6,439,762
Other benefits	**513,727**	1,097,236

Key management personnel include chief executive officer, chief operation officer, chief financial officer, head of brokerage, head of risk and head of asset management.

25. FINANCIAL INSTRUMENT AT FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 are accessible by the Company.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

			Fair values		
	Carrying value	***Level 1 SR***	***Level 2 SR***	***Level 3 SR***	***Total SR***
31 December 2023 (Audited)					
Financial assets;					
Financial assets at fair value through profit or loss	**17,458,504**	**14,266,754**	**-**	**3,191,750**	**17,458,504**
	17,458,504	**14,266,754**	**-**	**3,191,750**	**17,458,504**

			Fair values		
	Carrying value	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
31 December 2022 (Audited)					
Financial assets;					
Financial assets at fair value through profit or loss	7,006,551	-	4,310,059	2,696,492	7,006,551
	7,006,551	-	4,310,059	2,696,492	7,006,551

The fair values of accounts receivables and other assets 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 instruments. 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.

25. FINANCIAL INSTRUMENT FAIR VALUE (CONTINUED)

25.1 Fair valuation techniques

The following tables show the valuation techniques used in measuring fair values.

Type	Valuation techniques
Financial assets at fair value through statement of profit or loss.	Funds: Valuation is based on the latest available NAV of the funds. Equity securities: Valuation is based on the latest price quoted on the Saudi stock exchange.

The estimated fair value would increase / (decrease) if there is a change in the inputs used for valuation.

25.2 Transfers between Level 1 and 2

There have been no transfers between Level 1 and Level 2 during the reporting periods.

26. NETTING OFF

During the current year and comparative period, management netted off receivable and payable balances in which there is a legally enforceable right to net off and both parties' intent to settle on a net basis. The netting off did not have any impact on the statement of financial position, statement of comprehensive income, statement of changes in equity, nor the Company's operating, investing, and financing cash flows.

27. PROVISION FOR LABOUR LAW AND STAFF OBLIGATION

	Notes	**31 December 2023** **SR** ***(Audited)***	31 December 2022 *SR* *(Audited)*
Employees' end of service indemnities	*27.1*	**474,621**	300,750
Employees saving scheme	*27.2*	**815,666**	418,823
		1,290,287	719,573

27.1 The Company operates a defined benefit plan in line with the Labor 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 Labor 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 upon termination of employment.

27.2 The Company offer employees saving scheme to its employees. The Company contributes one-month basic salary for every completed twelve months of service. Employees are not permitted to receive any payments from the scheme during the tenor of employment. The benefits are not expected to be settled within twelve months.

	31 December 2023 **SR** ***(Audited)***	31 December 2022 *SR* *(Audited)*
Balance at 1 January	**719,573**	2,207,223
Provisions for the year	**816,454**	513,355
Payments during the year	**(245,740)**	(2,001,005)
Balance at 31 December	**1,290,287**	719,573

28. FIDUCIARY ASSETS

28.1 Assets under management:

These represent the public and private funds' assets, discretionary portfolio and non-discretionary portfolios' assets managed by the Company on behalf of its customers which amounted to SR 6,911,962,222 as at 31 December 2023 (31 December 2022: SR 3,553,935,749).

28.2 Clients' cash accounts

The Company manages clients' cash accounts for brokerage activities, which amounted to SR 19,015,520 as at 31 December 2023 (31 December 2022: SR 51,374,888).

29. COMMITMENT AND CONTINGENCIES

29.1 Legal proceedings

As of date the Company has three claims filed before the General Secretariat of Committees for Resolution of Securities Disputes ("CRSD"). The first claim had an initial judgement issued on the 9th of August 2023 in favor of the Company on the basis that the CRSD has no jurisdiction to judge on this case. The judgement is subject to appeal within 30 days of issuance. The remaining two claims are currently under revision by the CRSD. The Company's external legal counsel has confirmed that with respect to the likelihood of a favorable or unfavorable outcome, of the above-mentioned claims, no estimate of potential loss or gain can be made as of date.

30. SUBSEQUENT EVENTS

There are no material events subsequent to the reporting date that requires adjustment or disclosure in these financial statements.

31. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 27 March,2024.