SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
Together with the
Independent auditor's report

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") 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").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") 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 are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, 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 ISA 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report

To the shareholder of SICO Capital Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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, then 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 of the Company.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License no: 454

Riyadh: 26 March 2023
Corresponding to: 4 Ramadan 1444H

كي بي إم جي للاستشارات المهنية
ترخيص رقم ٤٦
س.ت: ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 1.
KPMG Professional Services

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Amount in Saudi Riyals)

	Note	**31 December 2022**	31 December 2021
ASSETS			
Cash and cash equivalents	4	**6,923,828**	515,405
Murabaha deposits	5	**5,001,625**	40,004,667
Investments held at fair value through profit or loss	6	**7,006,551**	25,525,440
Investments held at amortized cost	7	**40,105,003**	-
Account receivables	8	**5,310,664**	16,779,963
Receivables against margin lending	9	**12,014,916**	46,627,851
Prepayments and other assets	10	**3,706,767**	1,385,082
Right of use assets	11	**3,309,303**	-
Intangible assets	12	**197,388**	112,214
Property and equipment	13	**3,642,873**	199,075
Total assets		**87,218,918**	131,149,697
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Short-term borrowings	14	-	46,988,848
Accrued expenses and other liabilities	15	**13,015,414**	8,441,106
Zakat and income tax payable	16	**1,729,536**	2,074,778
Employees' end of service benefits	17	**719,573**	2,207,223
Lease liability	18	**3,213,355**	-
Total liabilities		**18,677,878**	59,711,955
Shareholders' equity			
Share capital	19	**60,000,000**	60,000,000
Statutory reserve	20	**2,982,253**	2,982,253
Retained earnings		**5,558,786**	8,455,489
Total shareholders' equity		**68,541,039**	71,437,742
Total liabilities and shareholders' equity		**87,218,918**	131,149,697

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

Chairman of Board of Directors | **Vice Chairman of Board of Directors** | **Chief Executive Officer**

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Amount in Saudi Riyals)

	Note	For the year ended 31 December 2022	2021
Revenue			
Asset management fee	22	**19,620,241**	20,984,032
Special commission income from margin lending		**1,345,039**	1,603,807
Brokerage commission		**1,708,578**	1,727,378
Special commission income from murabaha deposits		**182,687**	465,714
Income from corporate finance advisory		**270,000**	2,021,670
Special commission income from investment held at amortized cost		**163,039**	-
Gain on investments at fair value through profit or loss, net		**819,699**	287,168
Total revenue		**24,109,283**	27,089,769
Dividend income		-	75,000
Other income		-	5,935
Total operating income		**24,109,283**	27,170,704
Expenses			
Salaries and employee related expenses		**(13,510,081)**	(9,714,220)
General and administrative expenses	23	**(12,682,510)**	(8,292,038)
Finance cost		**(401,180)**	(997,725)
Reversal / (charge) of allowance for expected credit losses		**186,195**	(54,803)
Total operating expenses		**(26,407,576)**	(19,058,786)
Net (loss) / income before zakat and income tax		**(2,298,293)**	8,111,918
Zakat and income tax	16	**(598,410)**	(2,074,778)
Net (loss) / income for the year		**(2,896,703)**	6,037,140
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		**(2,896,703)**	6,037,140

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

Chairman of Board of Directors	**Vice Chairman of Board of Directors**	**Chief Executive Officer**

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(Amount in Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
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)**
Transfer to statutory reserve	-	-	-	-
Balance at 31 December 2022	**60,000,000**	**2,982,253**	**5,558,786**	**68,541,039**
Balance at 1 January 2021	60,000,000	2,378,539	18,022,063	80,400,602
Net income for the year	-	-	6,037,140	6,037,140
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	6,037,140	6,037,140
Dividend paid during the year	-	-	(15,000,000)	(15,000,000)
Transfer to statutory reserve	-	603,714	(603,714)	-
Balance at 31 December 2021	60,000,000	2,982,253	8,455,489	71,437,742

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

SICO CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amount in Saudi Riyals)

	Note	31 December 2022	31 December 2021
Cash flows from operating activities			
Net (loss) / income before zakat and tax for the year		**(2,298,293)**	8,111,918
Adjustments for:			
Depreciation	13	**636,276**	44,543
Amortization	12	**710,106**	1,077,098
Net unrealized loss / (gain) on investments at fair value through profit or loss		**12,012**	(287,168)
Net realized gain on investments at fair value through profit or loss		**(831,711)**	-
(Reversal) / charge on allowance for expected credit losses		**(186,195)**	54,803
Special commission income on murabaha deposit		**(182,687)**	(465,714)
Financing cost		**401,180**	997,725
Provision for employees' end of service benefits	17	**513,355**	939,567
Finance cost on lease rental		**101,587**	-
Special commission income on investments held at amortized cost		**(108,920)**	-
Accretion of discount on investment held at amortized cost		**(54,119)**	-
Movement in operating assets and liabilities:			
Decrease / (increase) in receivable against margin lending		**34,799,130**	(21,619,111)
Decrease / (increase) in accounts receivable		**11,469,299**	(13,810,156)
Increase in prepayments and other assets		**(1,300,132)**	(284,138)
Increase in accrued expenses and other liabilities		**4,574,311**	5,124,268
Cash generated / (used in) from operations		**49,542,608**	(20,116,365)
Zakat and income tax paid	16	**(1,965,205)**	(307,845)
Employees' end of service benefits paid	17	**(2,001,005)**	(1,554,070)
Net cash generated from / (used in) operating activities		**44,288,989**	(21,978,280)
Cash flows from investing activities			
Investment in murabaha deposits		**(10,000,000)**	(80,000,000)
Special commission received on murabaha deposits		**185,728**	2,777,124
Murabaha deposits matured		**45,000,000**	100,000,000
Special commission income received from investment held at amortized cost		**111,213**	-
Purchase of property and equipment	13	**(4,083,875)**	(128,276)
Proceeds from sale of property and equipment		**3,800**	
Payment of intangible asset		-	(1,113,723)
Purchase of intangible asset		**(133,420)**	-
Purchase of investments held at fair value through profit or loss		**(26,491,196)**	(8,000,000)
Proceeds from sale of investments held at fair value through profit or loss		**45,829,784**	1,000,000
Purchase of investment held at amortized cost		**(40,053,177)**	-
Net cash generated from investing activities		**10,368,857**	14,535,125
Cash flow from financing activities			
Proceeds from short-term borrowings	12.1	-	63,200,000
Repayment of short-term borrowings	12.1	**(46,900,000)**	(41,600,000)
Finance cost paid		**(490,028)**	(1,003,847)
Lease liability paid		**(859,395)**	-
Dividend paid		-	(15,000,000)
Net cash (used in) / generated from financing activities		**(48,249,423)**	5,596,153
Net increase / (decrease) in cash and cash equivalents		**6,408,423**	(1,847,002)
Cash and cash equivalents at beginning of the year		**515,405**	2,362,407
Cash and cash equivalents at end of the year	4	**6,923,828**	515,405

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

1. GENERAL

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 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).

On 18 September 2022, SICO BSC (c) (“the Parent”), signed an agreement with Bank Muscat SAOG (“the shareholder”) to acquire remaining 27.29% stake of the Company held by the shareholder. Subsequent to the signing of the agreement, the Company applied for regulatory approvals of the transaction from CMA and Ministry of Commerce which were received on 25 September 2022 and 23 October 2022 respectively. As a result of the transaction, the Parent subsequently now owns 100% of the Company.

2. BASIS OF PREPARATION

(i) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) 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”).

(ii) 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 defined benefit obligation. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

(iii) 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.

(iv) Functional and presentation currency

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

2. BASIS OF PREPARATION (continued)

(v) Standard amendments issued and effective

Following are the amendments to standards which are effective for annual periods beginning on or after 1 January 2022. 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
- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions: extension of the practical expedient to 30 June 2022.

(vi) Standards issued but not yet effective

Following are the new amendments to standards, which are effective for annual periods beginning on, or after 1 January 2023 and earlier application is permitted however, the Company has not early adopted them in preparing these interim financial statements. The following standards are not expected to have a significant impact on the financial statements of the Company upon adoption:

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- 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. SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise indicated.

There are no areas in these financial statements which require use of significant estimation and judgements in application of these accounting policies.

3.1 Cash and cash equivalents

Cash and cash equivalents 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 cash equivalents are carried at amortized cost in the statement of financial position.

3.2 Financial Instruments

3.2.1 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)

<u>Measurement</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial Instruments (continued)

3.2.1 Classification and measurement of financial assets (continued)

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.

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:

Amortized cost: 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.

Fair value through profit or loss (FVTPL): 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial Instruments (continued)

3.2.1 Classification and measurement of financial assets (continued)

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.

3.2.2 Expected credit losses on debt financial instruments

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument 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:

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 instruments of the Company that are subjected to ECL include bank balances, investments held at amortized cost, receivable against margin lending, Murabaha deposits with bank, account receivables and other assets. The impact on ECL is not considered significant to the financial statements.

3.2.3 Financial liabilities

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

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

A financial asset is derecognized, when the contractual rights to 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 expires.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial Instruments (continued)

3.2.4 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.

3.3 Impairment of 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 asset's 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.

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 profit or loss.

3.4 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:

	Years
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.

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 profit or loss when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 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;

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, ROU asset would be equal 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. 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:

1. Increasing the carrying amount to reflect 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 lease modification.

3.6 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.

3.7 Accrued expenses and other liabilities

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 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.

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 is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary 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 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.

3.11 Zakat and taxes

Zakat

Income earned in relation to share holder having Saudi and (GCC) nationality is subject to zakat in accordance with the regulations of the Zakat Tax And Customs Authority (the "ZATCA"). Zakat is a charge to the statement of profit or loss. Additional amount payable, if any, at the finalization of final assessment are accounted for when such amount is determined.

Income Tax

The Company is subject to income tax in accordance with the regulations of the Zakat Tax Customs Authority (the "ZATCA") in relation to foreign shareholders. Income tax is a charge to the statement of statement of profit or loss. Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, if material, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income 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 income tax liability is settled.

Deferred income tax

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Revenue

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 clawbacks, 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 are 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.

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

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.

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

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 investments.

3.13 Expenses

Salaries and other employee related expenses are those which specifically relate to employee costs. All other expenses other than employees' costs, financial charges and allowance for impairment are classified as general and administrative expenses.

3.14 Finance cost

Expenses from short-term borrowings 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 Bank Muscat – Saudi Arabian branch.

(Amount in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 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.

3.16 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.

3.17 Assets held under a trust or in a fiduciary capacity

The Company offers assets management services to its customers, which include management of certain mutual funds. Such assets are not treated as assets, because the Company in its capacity as a fund manager is acting as an agent and are accordingly treated as off-balance sheet items.

3.18 Clients' cash accounts

The Company holds cash in clients' cash accounts with local bank to be used for investments on their behalf. Such balances are not included in the Company's financial statements.

4 CASH AND CASH EQUIVALENTS

	2022	2021
Current accounts in Banks	**6,923,828**	515,405
	6,923,828	515,405

5 MURABAHA DEPOSITS

	Note	**2022**	2021
Murabaha deposits	5.1	**5,000,000**	40,000,000
Accrued special commission		**1,625**	4,667
		5,001,625	40,004,667

5.1 This represents murabaha deposits with Saudi Fransi Bank (BSF) carrying special commission rate of 3.9% per annum (31 December 2021: 1.05% per annum) with maturity date of 29 January 2023.

6 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, investment securities are classified as FVTPL comprises of investments in units of Money Market Fund and Riyadh Real Estate Fund which are recorded at fair value.

	2022	2021
Cost	**25,525,440**	19,500,000
Units purchased during the year	**26,491,196**	8,000,000
Units redeemed during the year	**(45,829,784)**	(1,000,000)
Change in fair value	**819,699**	(974,560)
Fair value	**7,006,551**	25,525,440

(Amount in Saudi Riyals)

6 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Following is the breakdown of the investments:

	2022	2021
Money Market Fund	**4,310,059**	22,714,160
Riyadh Real Estate Fund	**2,696,492**	2,811,280
Total	**7,006,551**	25,525,440

Following is the breakdown of gain/(loss) from investment at FVTPL:

	For the year ended	
	31 December 2022	31 December 2021
Unrealized gain / (loss) on investments at fair value through profit or loss, net	**146,013**	287,168
Realized gain on investments at fair value through profit or loss, net	**831,710**	-
	977,723	287,168

7 INVESTMENTS HELD AT AMORTISED COST

During the year ended 31st December 2022, the Company has purchased sukuks issued by Government of Saudi Arabia, amounting to SAR 39,571,684, the maturity date of which fall in between July 2023 and March 2025. These sukuks carry a profit rate of 2.2% - 3.5% per annum.

	2022	2021
Purchased during the year	**39,556,210**	-
Special commission income earned during the year	**108,919**	-
Pre-acquisition accrued special commission income	**496,966**	-
Accretion of discount	**54,119**	-
Special commission income received during the year	**(111,211)**	-
Closing balance	**40,105,003**	-

Investments held at amortised costs are exposures to the domestic sovereign debt which are low credit risk, hence impact of expected credit loss is not material on these investments.

8 ACCOUNT RECEIVABLES

	2022	2021
Accrued fee:		
- Funds under management	**514,042**	13,898,198
- Murabaha arrangements	**338,035**	384,496
- Discretionary portfolio management	**4,211,678**	1,334,769
- Income from corporate finance advisory	**115,000**	1,162,500
- Others	**131,909**	-
	5,310,664	16,779,963

(Amount in Saudi Riyals)

9 RECEIVABLES AGAINST MARGIN LENDING

The Company extends margin lending facilities to its customers to invest in the Saudi Stock Exchange. These facilities are extended up to a maximum period of one year and bear a floating special commission rate based on SIBOR plus a credit margin. The facilities are collateralized and can be liquidated if the collateral coverage ratio drops below the liquidation level of 150%.

	2022	2021
Receivable against margin lending	**12,254,151**	47,053,281
Allowance for expected credit losses	**(239,235)**	(425,430)
	12,014,916	46,627,851

Following is the movement of the allowance for expected credit losses

	2022	2021
Opening balance	**425,430**	370,627
Reversal / (charge) during the year	**(186,195)**	54,803
Closing balance	**239,235**	425,430

The methodology applied in estimating provision for receivable against margin lending have been based on judgments and assumptions using staging criteria and consideration of the collaterals in case of liquidation.

10 PREPAYMENTS AND OTHER ASSETS

	Note	2022	2021
Staff loan		**667,017**	-
Prepaid insurance		**277,181**	203,961
Prepaid subscription		**99,999**	100,000
Prepaid rent		**-**	429,698
Refundable from ZATCA	10.1	**1,021,553**	-
Other receivables	10.2	**1,250,192**	-
Others		**390,825**	1,081,121
		3,706,767	1,385,082

10.1 This represents refundable from ZATCA against zakat payable on investments in sukuk under Ministerial Resolution 2218 dated 14 March 2019.

10.2 This pertains to receivable from customer in respect of Brokerage services.

11 RIGHT OF USE ASSET

Right of use asset relates to lease of office building of the Company, having a lease term of 5 years.

	2022	2021
Balance as at 1 January	-	-
Addition during the year	**3,971,163**	-
Depreciation charge for the year	**(661,860)**	-
Balance as at 31 December	**3,309,303**	-

(Amount in Saudi Riyals)

12 INTANGIBLE ASSETS

	2022	2021
Cost		
Balance as at 1 January	**7,621,680**	7,587,957
Additions during the year	**133,420**	33,723
Balance as at 31 December	**7,755,100**	7,621,680
Accumulated amortization		
Balance as at 1 January	**7,509,466**	6,432,368
Charge for the year	**48,246**	1,077,098
Balance as at 31 December	**7,557,712**	7,509,466
Net book value	**197,388**	112,214

Intangible assets addition includes website, computer software and license used by the Company.

13 PROPERTY AND EQUIPMENT

	Leasehold improvement	**Furniture and fixtures**	**Office equipment**	**Computers**	**Total**
Cost					
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)**
31 December 2022	**3,012,036**	**150,762**	**1,521,109**	**4,372,480**	**9,056,387**
Accumulated depreciation					
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)**
31 December 2022	**682,791**	**97,324**	**419,489**	**4,213,910**	**5,413,514**
Net book value					
At 31 December 2022	**2,329,245**	**53,438**	**1,101,620**	**158,570**	**3,642,873**

	Leasehold improvements	**Furniture and fixtures**	**Office equipment**	**Computers**	**Total**
Cost					
1 January 2021	287,583	138,861	244,829	4,177,413	4,848,686
Additions during the period	-	-	22,420	105,856	128,276
Disposals during the year	-	-	-	-	-
31 December 2021	287,583	138,861	267,249	4,283,269	4,976,962
Accumulated depreciation					
1 January 2021	287,583	41,582	227,920	4,176,259	4,733,344
Charge for the period	-	27,771	8,356	8,416	44,543
Disposals	-	-	-	-	-
31 December 2021	287,583	69,353	236,276	4,184,675	4,777,887
Net book value					
31 December 2021	-	69,508	30,973	98,594	199,075

(Amount in Saudi Riyals)

14 SHORT-TERM BORROWINGS

The Company has obtained credit facilities from the Bank Muscat – Saudi Arabian branch as follows:

	Facility limit	Outstanding balance	Rate of commission
As at 31 December 2022	**50,000,000**	**-**	**One-month SAIBOR + spread**
As at 31 December 2021	50,000,000	46,988,848	One-month SAIBOR + spread

During the period ended 31st December 2022, the outstanding balance has been fully paid by the Company.

14.1 Reconciliation of movements of short-term borrowings to cashflows arising from financing activities:

	2022	2021
Balance at 1 January	**46,988,848**	25,394,970
Accrued finance cost for the year	**401,180**	997,725
Proceeds from short-term borrowings	**-**	63,200,000
Repayments of short-term borrowings	**(47,390,028)**	(42,603,847)
Balance at 31 December	**-**	46,988,848

15 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	2021
Accrued employee salaries and benefits	**1,116,429**	1,996,625
Management fee payable (15.1)	**2,882,148**	1,349,439
VAT payable	**295,014**	2,092,677
Accrued professional fees	**959,048**	488,068
Payable to software vendor (15.2)	**2,409,281**	-
Payable to parent	**885,782**	-
Board remuneration payable	**348,000**	-
Advance from mutual fund	**1,354,450**	-
Other	**2,765,263**	2,514,297
	13,015,415	8,441,106

15.1 Management fee payable represents certain expenses payable to a shareholder of Parent for advisory services.

15.2 This includes payables to vendors for software licensing.

16 ZAKAT AND INCOME TAX PAYABLE

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

	2022	2021
Zakat & Income tax payable (16.1)	**1,729,536**	2,074,778
	1,729,536	2,074,778

(Amount in Saudi Riyals)

16 ZAKAT AND INCOME TAX PAYABLE (CONTINUED)

16.1 The movement in income tax payable is as follows:

	2022	**2021**
1 January	**2,074,778**	114,321
Provision for the year	**707,983**	2,074,778
Prior year adjustments	**(109,573)**	193,524
Sukuk refund adjustments (16.1.1)	**1,021,553**	-
Payments during the year	**(1,965,205)**	(307,845)
Closing balance	**1,729,536**	**2,074,778**

16.1.1 During the year Company has purchased government sukuk amounting to SAR 39,571,684. In accordance with Ministerial Resolution no. 2218 of ZATCA, the ZATCA assumes the responsibility of the zakat on the bonds issued by Government of Kingdom of Saudi Arabia and accordingly a receivable from ZATCA has been booked in this regards with a corresponding reduction to zakat charge for the year ended 31 December 2022.

16.2 Status of assessment

The Company has filed all tax returns up to the year ended 31 December 2022 with 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 and 2018 the Company has proceeded to the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVDR"). For year 2017, the Company has proceeded to the Committee for Resolution of Tax Violations and Disputes ("CRTVD") to contest the ZATCA demands.

There is uncertainty in respect of the outcome of the above-mentioned cases, as the appeals are under progress. If these cases were to be concluded not in favour of the Company, this may result in significant additional zakat exposure to the Company - the exact quantum of which cannot be reliably estimated at this point in time and depends largely on the outcome of the pending appeals. The Company currently awaits the outcome of the appeals.

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

17 EMPLOYEES' END OF SERVICE BENEFITS

	2022	2021
Employees' end of service indemnities (17.1)	**300,750**	1,274,932
Employees saving scheme (17.2)	**418,823**	932,291
	719,573	2,207,223

17.1 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.

17.2 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 benefit are not expected to be settled within twelve months.

(Amount in Saudi Riyals)

17 EMPLOYEES' END OF SERVICE BENEFITS (Continued)

17.3 Movement in employees' end of service benefits

	2022	**2020**
Balance at the beginning of the year	**2,207,223**	2,821,726
Provisions	**513,355**	939,567
Payments	**(2,001,005)**	(1,554,070)
Balance at the end of the year	**719,573**	2,207,223

18 LEASE LIABILITY

	2022	**2021**
Balance at the beginning of the year	-	-
Additions during the year	**3,971,163**	-
Interest expense for the year	**101,587**	-
Payment of liability	**(859,395)**	-
Balance at the end of the year	**3,213,355**	-
Lease liability on right-of-use asset – current	760,932	-
Lease liability on right-of-use asset – non current	2,452,423	-

18 SHARE CAPITAL

The authorized, issued and fully paid-up share capital of the Company, amounted to SAR 60 million comprising of 6,000,000 shares of SAR 10 each.

On 18 September 2022, SICO BSC (c) ("the Parent"), signed an agreement with Bank Muscat SAOG ("the shareholder") to acquire remaining 27.29% stake of the Company held by the shareholder. As a result of this transaction, the Parent now owns 100% of the Company.

The Company's revised share capital structure is as follows:

	31 December 2022		
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**

	31 December 2021		
Shareholders	Ownership	No. of shares	Amount
SICO BSC (c) ("the Parent")	72.71%	4,362,491	43,624,910
Bank Muscat SAOG (the "Shareholder")	27.29%	1,637,509	16,375,090
Total	**100%**	**6,000,000**	**60,000,000**

19 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company. As of 31 December 2022, the Company has incurred net loss therefore there had been no transfer made to statutory reserves.

(Amount in Saudi Riyals)

20 RELATED PARTY

In the ordinary course of its activities, the Company transacts business with related parties. Related parties include:

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

Key management personnel include chief executive officer and head of departments. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

Following are the details of related parties and their relationship with the Company:

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

Following are the Mutual funds that are managed by the Company:

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

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

	Relationship	**Note**	**2022**	2021
Management fee expenses	Shareholder of parent*	23	**1,325,631**	1,349,439
Discretionary portfolio management fee	Shareholder of parent	22	**1,825,893**	1,671,046
Discretionary portfolio management fee	Parent	22	**-**	206,424
Dividend paid (net of withholding tax)	Shareholder of parent		**-**	14,249,371
Special commission income from murabaha deposits – Bank Muscat – Saudi Arabian branch	Registered branch of shareholder of parent		**-**	465,714
Rental paid**	Registered branch of shareholder of parent	23	**249,652**	471,190
Finance cost	Registered branch of shareholder of parent	14	**401,180**	997,725
Asset management fee from mutual funds	Mutual Fund	22	**2,476,738**	18,019,846
Dividend income from Riyadh Real Estate Fund	Mutual Fund		**-**	75,000
Board remuneration and expenses	Board of Directors	23	**429,744**	595,201
Discretionary portfolio admin fee	Parent		**238,144**	-
Parent employees travelling expenses	Parent		**736,685**	-

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

(Amount in Saudi Riyals)

21 RELATED PARTY (continued)

The balances with related parties are as follows:

	Note	2022	2021
Current account in Bank Muscat – Saudi Arabian branch	4	-	116,365
Investment in Money Market Fund	6	**4,310,059**	22,714,160
Investment in Riyadh Real Estate Fund	6	**2,696,492**	2,811,280
Short term borrowing from Bank Muscat – Saudi Arabian branch	14	-	46,988,848
Accrued fees from mutual funds under management	8	**514,042**	13,898,198
Accrued discretionary portfolio management fee from Shareholder of parent	8	**2,725,499**	899,606
Management fee payable to Shareholder of parent	15	**2,675,069**	1,349,439
Accrued discretionary portfolio management fee from Parent		-	244,485
Admin fee payable to Parent		**207,079**	-
Board Remuneration payable		**348,000**	-
Payable to Parent		**885,782**	-

	2022	2021
Compensation paid to key management personnel		
Salaries and allowances	**6,439,762**	4,027,556
Other benefits	**1,097,236**	398,424

22 ASSET MANAGEMENT FEE

	2022	2021
Fee from:		
- Mutual Funds under management	**3,477,988**	18,019,846
- Discretionary portfolio management	**15,963,463**	2,563,487
- Non-discretionary portfolio management	**178,790**	400,699
	19,620,241	20,984,032

23 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2022	2021
IT software expenses		**4,041,993**	227,208
Professional fees		**1,611,111**	1,218,201
Management fee expenses	23.1	**1,563,775**	1,684,460
Travel and business development		**904,390**	-
Amortization	10	**710,106**	1,077,098
Depreciation	11	**636,276**	44,543
Communications		**709,345**	625,278
Governmental & licensing		**497,953**	442,162
Board and committee expenses		**429,744**	595,201
Premises and rental		**405,409**	471,190
Marketing and advertisement		**108,200**	-
Others		**1,064,208**	1,906,697
		12,682,510	8,292,038

23.1 Management fee expenses represents certain expenses payable to a shareholder and external parties for advisory services.

(Amount in Saudi Riyals)

24 FINANCIAL INSTRUMENT 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			
Financial assets measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2022					
Financial assets					
Investments classified as FVTPL					
Financial assets at fair value through profit or loss	**7,006,551**	-	**4,310,059**	**2,696,492**	**7,006,551**
Financial assets not measured at fair value					
Receivables against margin lending	**12,014,916**	-	-	**12,014,916**	**12,014,916**
Investments held at amortized cost	**40,105,003**	**-**	**-**	**40,105,003**	**40,105,003**
Account receivables	**5,310,664**	-	-	**5,310,664**	**5,310,664**
Murabaha deposits	**5,001,625**	-	-	**5,001,625**	**5,001,625**
	69,438,759	-	**4,310,059**	**65,128,700**	**69,438,759**
Financial liabilities					
Financial liabilities not measured at fair value					
Lease liabilities	**3,213,355**	-	-	**3,213,355**	**3,213,355**
Short term borrowings	**-**	**-**	**-**	**-**	**-**
Accrued expenses and other liabilities	**11,288,783**	-	-	**11,288,783**	**11,288,783**
	14,502,138	**-**	**-**	**14,502,138**	**14,502,138**

(Amount in Saudi Riyals)

24 FINANCIAL INSTRUMENT FAIR VALUE (Continued)

		Fair values			
Financial assets measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2021					
Financial assets					
Investments classified as FVTPL					
Investments held at fair value through profit or loss	25,525,440	-	22,714,160	2,811,280	25,525,440
Financial assets not measured at Fair value					
Murabaha deposits	40,004,667	-	-	40,004,667	40,004,667
Receivables against margin lending	46,627,851	-	-	46,627,851	46,627,851
Account receivables and other assets	16,779,963	-	-	16,779,963	16,779,963
	128,937,921		22,714,160	106,223,761	128,937,921
Financial liabilities					
Financial liabilities not measured at fair value					
Short term borrowings	46,988,848	-	-	46,988,848	46,988,848
Accrued expenses and other liabilities	4,622,798	-	-	4,622,798	4,622,798
	51,611,646	-	-	51,611,646	51,611,646

The fair values of commission bearing deposits, receivable against margin lending, investment at amortized cost, cash and bank balances and accounts receivable 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 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.

24.1 Fair valuation techniques

The following table show the valuation techniques used in measuring Level 3 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 measured at fair value.
Inter-relationship between significant observable inputs and fair value measurement	The estimated fair value would increase / (decrease) if there is a change in the inputs used for valuation as discussed above.

25 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 (Note 21) 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.

25.1 Market risk

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

a) 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.

b) 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, margin lending facilities, short-term borrowings and murabaha deposits with Banque Saudi Fransi. Majority of Company’s lending and borrowings are at floating rate of commission, except for investment at amortised cost and murabaha deposits with fixed commission rate. 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 years**	**Non commission bearing**	**Total**
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	-	-	-	**5,310,664**	**5,310,664**
Total assets	**5,001,625**	**22,042,078**	**30,077,841**	**19,241,043**	**76,362,587**
Accrued expenses and other liabilities	-	-	-	**11,288,783**	**11,288,783**
Total shareholders’ equity	-	-	-	**68,541,039**	**68,541,039**
Total liabilities and shareholders’ equity	-	-	-	**79,829,822**	**79,829,822**
Total commission rate sensitivity gap	**5,001,625**	**22,042,078**	**30,077,841**	**(60,588,779)**	**(3,467,235)**
Cumulative commission rate sensitivity gap	**5,001,625**	**27,043,703**	**57,121,544**	**(3,467,235)**	**-**

(Amount in Saudi Riyals)

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

25.1 Market risk (continued)

b) Commission rate risk (continued)

Commission rate risk	Within 3 months	3-12 months	Over 1 years	Non commission bearing	Total
31 December 2021					
Current assets					
Cash at bank	-	-	-	515,405	515,405
Murabaha deposits	40,004,667	-	-	-	40,004,667
Investment held at fair value through of profit or loss	-	-	-	25,525,440	25,525,440
Receivable against margin lending	-	46,627,851	-	-	46,627,851
Accounts receivable	-	-	-	16,779,963	16,779,963
Long term murabaha deposits	-	-	-	-	-
Total assets	40,004,667	46,627,851	-	42,820,808	129,453,326
Accrued expenses and other liabilities	-	-	-	6,715,475	6,715,475
Short-term borrowing	-	46,988,848	-	-	46,988,848
Total shareholders' equity	-	-	-	71,437,742	71,437,742
Total liabilities and shareholders' equity	-	46,988,848	-	78,153,217	125,142,065
Total commission rate sensitivity gap	40,004,667	(360,997)	-	(35,332,409)	4,311,261
Cumulative commission rate sensitivity gap	**40,004,667**	**39,643,670**	**39,643,670**	**4,311,261**	**-**

c) 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 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 2022**	31 December 2021
Net Asset Value (NAV)	±5	**± 350,328**	±1,276,272

(Amount in Saudi Riyals)

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

25.2 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, lending facilities for margin trading and account receivables as follows:

	Note	2022	2021
Cash at bank	4	**6,923,828**	515,405
Murabaha deposits	5	**5,001,625**	40,004,667
Investment held at amortized cost	7	**40,105,003**	-
Receivable against margin lending	9	**12,014,916**	46,627,851
Account receivables	8	**5,310,664**	16,779,963
		69,356,036	103,927,886

Cash and deposits are placed with Banque Saudi Fransi and Alinma Bank having sound credit rating. Major portion of lending for margin is generally done with an initial coverage ratio in excess of 150%. This coverage is actively monitored, and margin calls and liquidations are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralized at all times; hence the credit risk is minimized. Investments held at amortised costs are exposures to the domestic sovereign debt. Account receivables relates to management fee receivable from mutual funds manage by the Company, therefore carry 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 2022.

	Investment grade	Unrated	Total
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**

The following table sets out the credit analysis for financial assets as at 31 December 2021.

	Investment grade	Unrated	Total
Financial assets			
Cash and cash equivalents	515,405	-	515,405
Murabaha deposits	40,004,667	-	40,004,667
Receivable against margin lending	-	46,627,851	46,627,851
Accounts receivable	-	16,779,963	16,779,963
Total	40,520,072	63,407,814	103,927,886

(Amount in Saudi Riyals)

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

25.3 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 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	**Due after 1 year**
2022		
Accrued expenses and other liabilities	**13,015,415**	-
Short-term borrowings	-	-
Total	**13,015,415**	-
2021		
Accrued expenses and other current liabilities	8,441,106	-
Short-term borrowings	46,988,848	-
Total	55,429,954	-

25.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Management maintains a strong governance and control framework to mitigate such risk.

26 FIDUCIARY ASSETS

26.1 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 amounted to Saudi Riyals 3,553,935,749 as at 31 December 2022 (31 December 2021: Saudi Riyals 3,953,184,011).

26.2 Clients' cash accounts

The Company manages clients' cash accounts for brokerage activities, which amounted to Saudi Riyals 51,374,888 as at 31 December 2022 (31 December 2021: Saudi Riyals 56,083,698).

27 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

The Capital Market Authority (the "CMA") has issued Prudential Rules ("the Rules") dated 31 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	Saudi Riyals in thousands	
	2022	2021
Capital Base		
- Tier 1 Capital	**68,344**	71,326
- Tier 2 Capital	-	-
Total Capital Base	**68,344**	71,326
Minimum Capital Requirement		
Credit Risk	**14,456**	24,062
Market Risk	**-**	-
Operation Risk	**6,602**	4,765
Total Minimum Capital Required	**21,058**	28,827
Capital Adequacy Ratio		
Capital Ratio (Times)	**3.25**	2.47
Tier 1 Capital Ratio (time)	**3.25**	2.47
Surplus in Capital	**47,285**	42,499

a) Tier 1 capital consists of paid-up share capital, accumulated profits, share premium (if any), reserves excluding revaluation reserves, with certain deductions as per the Rules.
b) Tier 2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves, with certain deductions as per the Rules.
c) The minimum capital requirements for market, credit and operational risks are calculated as per the requirements specified in the Rules.
d) The Company's business objectives when managing capital adequacy are to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

28 SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Byelaws if required. Consequently, the Company shall present the amended Articles of Association to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

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

29 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 15 February 2023.