RIYAD CAPITAL

A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY

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

الرياض المالية
Riyad Capital

RIYAD CAPITAL

A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY

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

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الرياض المالية
Riyad Capital

Independent auditor's report to the shareholder of Riyad Capital

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Riyad Capital (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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of income for the year then ended;
- statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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

Responsibilities of the board of directors and those charged with governance for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as they determine 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, the board of directors 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 the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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Independent auditor's report to the shareholder of Riyad Capital (continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 the board of directors.

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

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

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

PricewaterhouseCoopers

Khalid A. Mahdhar
License No. 368

14 March 2024

برايس وترهاوس كوبرز
محاسبون قانونيون
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LICENSE NO.25
C.R.1010371622

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 SAR '000	2022 SAR '000
ASSETS			
Cash and cash equivalents	5	**316,598**	358,489
Deposit with Muqassa	4	**70,127**	115,420
Time deposit	6	**-**	100,000
Accrued income	7	**258,338**	227,513
Margin lending	8	**516,104**	245,149
Prepayments and other assets	9	**128,706**	226,335
Investments carried at fair value through statement of income (FVSI)	10	**1,434,212**	1,363,258
Investments carried at fair value through other comprehensive income (FVOCI)	11	**101,724**	113,435
Investments carried at amortized cost	12	**83,000**	83,000
Right-of-use assets	13	**3,472**	8,979
Property and equipment	14	**10,987**	6,740
Intangibles	15	**5,762**	10,084
TOTAL ASSETS		**2,929,030**	2,858,402
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Short term borrowing	16	**-**	258,878
Accrued expenses and other liabilities	17	**193,389**	190,652
Accrued Zakat	18	**9,757**	52,338
Lease liabilities	13	**2,934**	8,421
Employees' end of service benefits (EOSB)	25	**60,416**	50,436
TOTAL LIABILITIES		**266,496**	560,725
SHAREHOLDER'S EQUITY			
Share capital	19	**500,000**	500,000
Statutory reserve	20	**150,000**	150,000
Retained earnings		**2,025,489**	1,644,983
Fair value reserve – investment carried at FVOCI	11	**(5,675)**	6,036
Re-measurement reserve of employees' EOSB		**(7,280)**	(3,342)
TOTAL SHAREHOLDER'S EQUITY		**2,662,534**	2,297,677
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,929,030**	2,858,402

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

CFO	CEO	Chairman

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 SAR '000	2022 SAR '000 (Restated)
INCOME			
Asset management fee, net		**393,079**	487,921
Commission on brokerage services, net	21	**103,540**	142,254
Corporate investment banking fees, net		**18,776**	78,012
Securities services and Custody fee, net		**20,646**	23,550
Net gain on investments carried at FVSI		**64,347**	34,247
Special commission income		**72,981**	35,297
Dividend income		**13,859**	15,256
Other income		**86**	1,019
TOTAL INCOME		**687,314**	817,556
EXPENSES			
Salaries and employees' related benefits		**205,354**	208,574
Other general and administrative expenses	22	**77,103**	66,427
Special commission expense		**7,581**	10,934
Allowance for expected credit losses		**7,013**	5,380
TOTAL EXPENSES		**297,051**	291,315
INCOME BEFORE ZAKAT		**390,263**	526,241
Zakat	18	**9,757**	13,156
NET INCOME FOR THE YEAR		**380,506**	513,085

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

CFO CEO Chairman

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 SAR '000	2022 SAR '000
NET INCOME FOR THE YEAR		**380,506**	513,085
ITEMS THAT WILL NOT BE RECLASSIFIED TO STATEMENT OF INCOME IN SUBSEQUENT YEARS:			
- Net change in fair value of equity investments carried at FVOCI	11	**(11,711)**	345
- Remeasurement (loss) / gain on EOSB	25	**(3,938)**	10,067
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(15,649)**	10,412
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**364,857**	523,497

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

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2023, AND 2022

	Capital	Statutory Reserve	Retained earnings	Fair value reserve	Remeasurement reserve of EOSB	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Balance at 1 January 2022	500,000	150,000	1,131,898	5,691	(13,409)	1,774,180
Net income for the year	-	-	513,085	-	-	513,085
Net changes in fair value of equity investments carried at FVOCI	-	-	-	345	-	345
Remeasurement gain on EOSB (Note 25)	-	-	-		10,067	10,067
Total comprehensive income for the year	-	-	513,085	345	10,067	523,497
Balance as at 31 December 2022	500,000	150,000	1,644,983	6,036	(3,342)	2,297,677
Balance at 1 January 2023	**500,000**	**150,000**	**1,644,983**	**6,036**	**(3,342)**	**2,297,677**
Net income for the year	-	-	**380,506**	-	-	**380,506**
Net changes in fair value of equity investments carried at FVOCI	-	-	-	**(11,711)**	-	**(11,711)**
Remeasurement loss on EOSB (Note 25)	-	-	-	-	**(3,938)**	**(3,938)**
Total comprehensive income for the year	-	-	**380,506**	**(11,711)**	**(3,938)**	**364,857**
Balance as at 31 December 2023	**500,000**	**150,000**	**2,025,489**	**(5,675)**	**(7,280)**	**2,662,534**

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

RIYAD CAPITAL
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 SAR'000	2022 SAR'000
CASH FLOW FROM OPERATING ACTIVITIES			
Net income before zakat		**390,263**	526,241
Adjustments for:			
Net gain from investments carried at FVSI		**(64,347)**	(22,674)
Depreciation of property and equipment	14	**1,499**	1,393
Amortization of intangibles	15	**4,488**	5,002
Depreciation of right-of-use assets	13	**5,507**	6,235
Special commission expense	26	**7,581**	11,037
Provision for EOSB	25	**8,653**	8,817
Allowance for expected credit losses		**7,013**	5,380
		360,657	541,431
Changes in operating assets and liabilities			
Deposit with Muqassa		**45,293**	(115,420)
Prepayments and other assets		**97,629**	33,387
Margin lending		**(270,955)**	146,829
Accrued income		**(37,838)**	(57,483)
Accrued expenses and other current liabilities		**2,737**	(1,396)
Purchase of investments carried at FVSI		**(247,738)**	(1,231,576)
Proceeds from sale of investments carried at FVSI		**241,131**	1,067,766
		190,916	383,538
Zakat Paid		**(52,338)**	-
EOSB paid	25	**(2,611)**	(4,818)
Special commission expense paid		**(7,540)**	(5,056)
Net cash generated from operating activities		**128,427**	373,664
CASH FLOW FROM INVESTING ACTIVITIES			
Time deposit		**100,000**	46,218
Purchase of investments carried at amortized cost		**-**	(19,000)
Purchase of property and equipment	14	**(5,746)**	(1,319)
Additions to intangibles	15	**(166)**	(1,315)
Net cash generated from investing activities		**94,088**	24,584
CASH FLOW FROM FINANCING ACTIVITIES			
Short term borrowing		**(258,878)**	(159,565)
Lease payments		**(5,528)**	(6,186)
Net cash used in financing activities		**(264,406)**	(165,751)
Net increase (decrease) in cash and cash equivalents		**(41,891)**	232,497
Cash and cash equivalents at the start of the year	5	**358,489**	125,992
Cash and cash equivalents at the end of the year	5	**316,598**	358,489
Supplemental non-cash information			
Net changes in equity investments carried at FVOCI		**(11,711)**	345
Transferred to property and equipment (Note 14)		**-**	(3,836)
Remeasurement gain on EOSB		**(3,938)**	10,067
Additions to right of use of assets		**-**	11,842

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

1 ORGANIZATION AND PRINCIPAL ACTIVITIES

Riyad Capital ("the Company") is a Sole Shareholder Closed Joint Stock Company ("CJSC") established and registered in Riyadh, the Kingdom of Saudi Arabia under commercial registration No. 1010239234, dated 12 Shawwal 1428H (corresponding to 24 October 2007).

The Company prior to its registration as a Closed Joint Stock Company ("CJSC") was operating as a Limited Liability Company. The Company obtained its commercial registration as CJSC effective 2nd Jumada Al Thani 1438H (corresponding to 28 February 2017).

The principal activities of the Company are dealing as a principal and agent, underwriting, management of investment funds and clients' portfolios, arranging, providing advisory and custody services as per license of the Capital Market Authority ("CMA") number 07070-37, dated 4 Jumad Thani 1428H (corresponding to 19 June 2007).

The Company's registered office is located at the following address:

Riyad Capital
Al Shuhada District, Eastern Ring Road
Riyadh 13241, P.O 2414

2 MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountant ("SOCPA") and in compliance with the Companies Law in the Kingdom of Saudi Arabia and By-Laws of the Company.

These financial statements have been prepared on a going concern basis under historical cost convention, except for investments measured at FVSI, investments measured at FVOCI and EOSB that is recognised at the present value of future obligations using the Projected Unit Credit Method.

The assets and liabilities of the Company are presented in the order of liquidity in the statements of financial position.

The following balances would generally be classified as non-current assets and liabilities: investment carried at amortized cost, right of use assets, property and equipment, intangibles, lease liabilities and employees' end of service benefits. All other balances are classified as current.

2.2 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are carried using the currency of the primary economic environment in which the Company operates (the "functional currency") and presented in Saudi Arabian Riyals ("SAR") which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

Transactions and balances

Foreign currency transactions, if any, are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the statement of income.

2.3 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

- Impairment of financial assets (Note 2.5.2)
- Valuation of employee end of service benefits (2.7)

However, these estimates are not considered as material accounting estimates.

2.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

2.5 FINANCIAL INSTRUMENTS

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

2.5.1.1 INITIAL RECOGNITION AND MEASUREMENT

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

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. For financial assets or financial liabilities held at fair value through statement of income, the transaction costs are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for debt financial assets measured at amortized cost, which results in an ECL charge being recognized in the statement of income.

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

On initial recognition, the Company classifies its financial assets in the following measurement categories:

- Amortized cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through statement of income ("FVSI")

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

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

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected.
- how the asset's performance is internally evaluated and reported to key management personnel.
- how risks are assessed and managed; and
- how managers are compensated.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (continued)

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (continued)

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

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

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

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

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

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP"), and that are not designated at FVSI, are measured at amortized cost. The carrying amount of these assets is adjusted by any Allowance for expected credit losses recognized and measured as described in Note 2.5.2. Profit earned from these financial assets is recognized in the statement of income using the effective commission rate method.

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

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

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

Currently bank balances, margin lending financing receivables and other receivables are classified as held at amortized cost. There are no debts securities classified as FVSI.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.1 CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS (continued)

2.5.1.2 CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (continued)

Equity instruments

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

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

The Company has irrevocably elected/designated investment in quoted units of a mutual fund in the real estate sector which is held as FVOCI.

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.

(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.

(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

(iv) Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

(vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (continued)

The financial assets of the Company, that are subjected to ECL review include bank balances, margin lending and other receivables.

The impact of ECL on the financial assets of the Company other than margin lending financing from customers is immaterial.

For ECL on margin lending please refer Note 2.5.2.3.

For ECL measurement on other receivables please refer Note 2.5.2.3

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

2.5.2.1 STAGES OF IMPAIRMENT UNDER IFRS 9

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

Stage 1 - Performing financial assets

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

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

Stage 2 - Financial Assets with significant increase in credit risk

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

Stage 3 - Credit impaired financial assets

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

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

2.5.2.2 TRANSFER CRITERIA

Margin lending

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

Stage 1 to Stage 2

- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client breaches 130% and subsequently margin is called, the asset would be migrated to Stage 2.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (continued)

2.5.2.2 TRANSFER CRITERIA (continued)

Stage 2 to Stage 3

- For an asset in Stage 2, if the client's collateralization level falls below 130%, the client shall be considered credit impaired, and the asset would be moved to Stage 3.

Advances and other receivables

Stage 1 to Stage2

- If the advances and other receivables is more than 30 days past due.

Stage 2 to Stage 3

- If the advances and other receivables is more than 90 days past due.

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT

Margin lending

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.5.2.1.

Significant increase in credit risk:

A decrease in collateral percentage below 130% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

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

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. Given the nature and extent of the collateral held against the Company's margin financing exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin financing facilities should be at a minimum 130% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 130%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 130%. Hence, even though there might be small probability of default, the ECL would not be material, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at a minimum to 130%.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (continued)

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT (continued)

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

Other receivables

Staging criteria:

Staging is done in accordance with criteria mention in Note 2.5.2.1.

Significant increase in credit risk:

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

Definition of default:

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g., breaches of covenant,
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

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

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

The financial assets of the Company, which are subjected to ECL review include cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending and other receivables. Loss given default (LGD) is insignificant given the “insignificant risk of changes in value” criteria.

Immaterial ECL is concluded on these balances as a result of an insignificant PD and LGD.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.2 IMPAIRMENT OF FINANCIAL ASSETS (continued)

2.5.2.3 EXPECTED CREDIT LOSS MEASUREMENT (continued)

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

2.5.3 FINANCIAL LIABILITIES

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

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

2.5.4 FAIR VALUATION OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2.5.5 DERECOGNITION OF FINANCIAL INSTRUMENTS

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 FINANCIAL INSTRUMENTS (continued)

2.5.6 OFFSETTING OF FINANCIAL INSTRUMENTS (continued)

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

2.6 IMPAIRMENTS OF NON-FINANCIAL ASSETS

Property and equipment and other non-financial assets

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

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

2.7 EMPLOYEES' END OF SERVICE BENEFITS

Post-employment defined benefit plans, end of service benefits plan, indemnity plans, and other long-term employee-related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. Management is required to make further assumptions regarding variables such as discount rates, rates of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Annually, management consults external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit cost.

2.8 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

2.9 PROVISIONS

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

2.10 ZAKAT

The zakat charge is computed based on the net income of the Company for the year before zakat charge. However, the Company does not file a separate Zakat to the Zakat, Tax and Customs Authority ("ZATCA ") as Riyad Bank (the "Parent") submits a consolidated / single Zakat return for the entire group based on its consolidated Zakat base and settles Zakat liability accordingly. The Company's Zakat liability is accordingly payable to the Parent and is limited to the amount of Zakat charged in these financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.11 INTANGIBLES

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life 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 is 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 is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of income in the expense category consistent with the function of the intangible asset.

The intangibles are amortised using the straight-line method over the estimated useful life of the assets as follow:

Intangibles	33.33%

2.12 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets as follows:

Equipment	3%
Hardware	20%
Furniture	10%
Lease hold improvement	3%

Capital work-in-progress is stated at cost and not depreciated. The capital work-in-progress is transferred to Property and equipment when the assets are ready for their intended use.

2.13 ASSETS UNDER MANAGEMENT

The Company offers asset management services to its customers, which include management of certain mutual funds and Discretionary Portfolio Management ("DPM"). Such assets are held in a fiduciary capacity and are not treated as assets of the Company. Accordingly, these are not included in the financial statements and are treated as off-balance sheet items.

2.14 MARGIN LENDING

Margin lending are recognized when cash is advanced to the borrowers. They are derecognized when either borrower repays their obligations, or the balance is sold or written-off, or substantially all the risks and rewards of ownership are transferred to other party. Margin lending are carried at amortized cost, less provision for expected credit losses, if any.

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

2.15 SHORT-TERM BORROWINGS

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.15 SHORT-TERM BORROWINGS (continued)

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

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

2.16 REVENUE

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

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

- ***ASSET MANAGEMENT INCOME***

Fees and commissions are recognized when the service has been provided. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on asset management are recognized over the period when the service is provided. The fee is reduced by the management fee charged by the sub-fund manager from the Company.

- ***BROKERAGE COMMISSION INCOME***

Brokerage fees are recognized on accrual basis upon delivery of services to customers and are stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin lending is recognized on an accrual basis based on the effective rate of return during the contract period.

- ***CORPORATE INVESTMENT BANKING FEES***

Corporate banking services fees is recognised based on services rendered as being complete in accordance with the underlying agreement / contract using the five-step approach to revenue recognition above.

- ***SECURITIES SERVICES AND CUSTODY FEE***

Security services and custody fee are recognized on accrual basis upon execution of related deals and are stated in statement of income net of discounts, if any, based on agreed applicable service contracts

- ***DIVIDEND INCOME***

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

- ***SPECIAL COMMISSION INCOME***

Special commission income is recognized in the statement of income statement based on effective yield basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.17 EXPENSES

All expenses, which are not directly attributable to the earning of income, are classified as other general and administrative expenses except for "Employees' salaries and related benefits" which are showed separately.

2.18 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has recognized new assets and liabilities for its operating leases of office premises. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease year to produce a constant yearly rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies are consistently applied.

3 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

3.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2023 except for the adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2023. The management has assessed that the below amendments have no significant impact on the financial statements.

3 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS (continued)

3.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2023:

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	01 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	01 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	01 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	01 January 2023
Amendments to IAS 8	Definition of accounting estimates	01 January 2023

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

3 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS (continued)

3.1 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

Standards Issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21 - Lackof Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations	1 January 2025

4 DEPOSIT WITH MUQASSA

This represents margin collateral deposited with Securities Clearing Centre Company (Muqassa) by Capital Market Institutions. Margin collateral is determined by Muqassa for Capital Market Institutions based on average portfolio balances by applying Standard Portfolio Analysis of Risk (SPAN) methodology.

5 CASH AND CASH EQUIVALENTS

	Note	2023 SAR'000	2022 SAR'000
Cash in hand		**100**	100
Cash at bank	*5.1*	**144,591**	35,272
Short term deposits	*5.2*	**171,907**	323,117
		316,598	358,489

5.1 This represents balances in current accounts with local banks.

5.2 This represents profit bearing short term deposits with original maturities of three months or less.

6 TIME DEPOSIT

	Note	2023 SAR'000	2022 SAR'000
Time deposit	*6.1*	**-**	100,000
		-	100,000

6.1 This represents profit bearing short term deposits with original maturities of more than three months.

7 ACCRUED INCOME

	2023 SAR'000	2022 SAR'000
Asset management fee	**239,776**	202,556
Securities services and custody fee	**9,556**	5,118
Corporate investment banking fee	**1,218**	314
Others	**7,788**	19,525
	258,338	227,513

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

	2023 SAR'000	2022 SAR'000
Balance at the beginning of the year	**-**	-
Charge for the year	**6,949**	-
	6,949	-

ECL recognized as at 31 December 2023 amounting to SAR 6,949 thousand (2022: NIL).

8 MARGIN LENDING

The Company provides margin lending facilities to certain clients for dealing in the local stock market through the Company. Margin lending is collateralized by approved coverage of 130% of market value of the customer respective portfolio. The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its margin lending. The collateral is managed against relevant exposures at their net realizable values. ECL was recognized for the year ended 31 December 2023 amounting to SAR 64 thousand (2022: SAR 5,380 thousand)

9 PREPAYMENTS AND OTHER ASSETS

	2023 SAR'000	2022 SAR'000
Advances	**110,313**	208,999
Refundable deposits	**7,875**	7,899
Prepaid insurance expense	**459**	365
Other assets	**10,059**	9,072
	128,706	226,335

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)

	2023 SAR'000	2022 SAR'000
Public funds		
Investment Funds managed by Riyad Capital	**1,087,750**	1,126,751
Investment Funds - Others	**137,339**	72,436
	1,225,089	1,199,187
Private Funds		
Investment Funds managed by Riyad Capital	**194,123**	149,071
Investment Funds - Others	**15,000**	15,000
	209,123	164,071
Total Investments	**1,434,212**	1,363,258
Current FVSI	**1,349,517**	1,315,663
Non-Current FVSI	**84,695**	47,595
	1,434,212	1,363,258

11 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2023 SAR'000	2022 SAR'000
Riyad REIT Fund – Managed by Riyad Capital	**101,724**	113,435

The cumulative unrealized loss on fair value of investment carried at FVOCI amounts to SAR 5,675 thousand (2022: unrealised gain SAR 6,036 thousand)

12 INVESTMENTS CARRIED AT AMORTIZED COST

	2023 SAR'000	2022 SAR'000
Investments carried at amortized cost	**83,000**	83,000

There was no ECL recognized for the years ended 31 December 2023 and 31 December 2022 since the amount of impairment was immaterial.

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

13.1 The movement in right-of-use assets during the year is as follows:

	2023 SAR'000	2022 SAR'000
Cost		
As at 31 December 2022	**29,662**	17,820
Additions	**-**	11,842
As at 31 December 2023	**29,662**	29,662
Accumulated Depreciation		
As at 31 December 2022	**20,683**	14,448
Charge for the year	**5,507**	6,235
As at 31 December 2023	**26,190**	20,683
Net Book Value	**3,472**	8,979

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

13.2 Movement of lease liability is as follows: (continued)

	2023 **SAR'000**	2022 SAR'000
Balance at the beginning of the year	**8,421**	2,662
Additions during the year	**-**	11,842
Finance cost	**41**	103
Finance cost paid	**-**	(103)
Repayment of principal portion	**(5,528)**	(6,083)
Balance as at end of the year	**2,934**	8,421

The maturity of lease liabilities at year-end is as follows:

	2023 **SAR'000**	2022 SAR'000
less than one year	**2,934**	5,776
one to three years	**-**	2,645
	2,934	8,421

14 PROPERTY AND EQUIPMENT

2023

	SAR 000's				
	Equipment and Hardware	**Furniture**	**Lease hold improvement**	**Capital Work in Progress (CWIP)**	**Total**
Cost					
At the beginning of the year	**1,980**	**1,669**	**4,577**	**2,174**	**10,400**
Additions	**577**	**167**	**-**	**5,002**	**5,746**
Transfer from capital work-in-progress	-	-	-	-	-
Disposals and retirements	-	-	-	-	-
At the end of the year	**2,557**	**1,836**	**4,577**	**7,176**	**16,146**
Accumulated depreciation					
At the beginning of the year	**676**	**759**	**2,225**	-	**3,660**
Charge during the year	**427**	**157**	**915**	-	**1,499**
Disposals and retirements	-	-	-	-	-
At the end of the year	**1,103**	**916**	**3,140**	**-**	**5,159**
Net book value					
As at 31 December 2023	**1,454**	**920**	**1,437**	**7,176**	**10,987**

2022

	SAR '000				
	Equipment and Hardware	Furniture	Lease hold improvement	Capital Work in Progress (CWIP)	Total
Cost					
At the beginning of the year	1,890	1,160	4,387	5,494	12,931
Additions	104	509	190	516	1,319
Transfer from capital work-in-progress	-	-	-	(3,836)	(3,836)
Disposals and retirements	(14)	-	-	-	(14)
At the end of the year	1,980	1,669	4,577	2,174	10,400
Accumulated depreciation					
At the beginning of the year	459	495	1,327	-	2,281
Charge during the year	231	264	898		1,393
Disposals and retirements	(14)	-	-	-	(14)
At the end of the year	676	759	2,225	-	3,660
Net book value					
As at 31 December 2022	1,304	910	2,352	2,174	6,740

15 INTANGIBLES

	2023 SAR'000	2022 SAR'000
Cost		
As at 1 January	**26,863**	21,712
Additions	**166**	1,315
Transfer from capital work-in-progress	**-**	3,836
As at 31 December	**27,029**	26,863
Accumulated Amortization		
As at 1 January	**16,779**	11,777
Charge for the year	**4,488**	5,002
As at 31 December	**21,267**	16,779
Net Book Value		
As at 31 December	**5,762**	10,084

16 SHORT TERM BORROWING

Short-term borrowing represents a commercial loan facility from a local bank to finance the margin lending activities. As at 31 December 2023, the amount of this facility utilized by the Company is nil (31 December 2022: SAR 258,878 thousand).

16.1 Movement of short-term borrowing is as follows:

	2023 SAR'000	2022 SAR'000
Balance at the beginning of the year	**258,878**	412,565
Special commission expense	**7,540**	10,934
Drawdown during the year	**167,049**	91,091
Repayment during the year	**(433,467)**	(255,712)
	-	258,878

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023 SAR'000	2022 SAR'000
Accrued employees' related expenses	**98,562**	123,388
Service charges (SLA)	**38,331**	14,594
Value added tax payable	**20,468**	14,832
Accrued general and administrative expenses	**17,278**	19,210
Withholding tax payable	**1,126**	1,266
Other liabilities	**17,624**	17,362
	193,389	190,652

18 ACCRUED ZAKAT

The Company is not required to submit a separate Zakat return as the Parent submits a consolidated / single Zakat return for the entire Group based on its consolidated Zakat base and settles its Zakat liability accordingly. Accordingly, the Company is not required to make any payment to Zakat authorities. Zakat amount charged to these financial statements is payable to the Parent Company, who ultimately settles the Zakat liability on behalf of the Company.

The Company's share of Zakat for the year ended 31 December 2023 is SAR 9,757 (31 December 2022: SAR13,156). This share is estimated based on zakat rate applied to the Company's income before Zakat for the year ended 31 December 2023.

19 SHARE CAPITAL

As at 31 December 2023 the Company's paid-up capital of SAR 500 million was divided into 50 million shares of SAR 10 each. The Company's share capital is wholly owned by Riyad Bank as of 31 December 2023 and 2022.

20 STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital. The statutory reserve is not available for distribution to shareholders until liquidation of the Company.

21 COMMISSION ON BROKERAGE SERVICES, NET

The commission on brokerage is reported net of brokerage related expenses, cumulatively amounting to SAR 81,497 thousand (2022: SAR 105,383 thousand).

22 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2023 SAR'000**	2022 SAR'000
Service charges		**23,737**	23,737
Repair and maintenance expense		**17,587**	11,745
Depreciation of property, equipment & intangibles	14,15	**5,987**	6,395
Legal, professional and consultancy fees		**5,577**	2,359
Depreciation of right-of-use assets	13	**5,507**	6,235
Communication charges	24.3	**5,009**	4,577
Marketing expenses		**2,909**	3,138
Business Travel Expenses		**1,493**	1,679
Other expenses		**9,297**	6,562
		77,103	66,427

23 ASSETS HELD UNDER FIDUCIARY CAPACITY

Client funds are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered as off-balance sheet items and do not constitute part of the Company's assets. These represent:

a) Investment assets managed by the Company amounting to SAR 93.5 billion as at 31 December 2023 (31 December 2022: SAR 82.1 billion); and

b) Clients' cash accounts amounting to SAR 4.9 billion as at 31 December 2023 (31 December 2022: SAR 6 billion).

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of the Parent, its subsidiaries and affiliates (board of directors of the Parent and their relatives), the investment funds managed by the Company and key management personnel. The transactions are carried out on mutually agreed terms approved by the management of the Company. Details of transactions and balances with related parties other than those disclosed elsewhere in the financial statements are as follows:

a) Transactions with the Parent Company, its subsidiaries and affiliates:

	Note	**2023 SAR'000**	2022 SAR'000
Assets management Fees	*24.1*	**420**	17,364
Corporate investment banking fees	*24.2*	**350**	2,831
Service charges	*24.3*	**23,737**	23,737
Rent expenses		**6,110**	6,338
Special commission expense on short term borrowings		**-**	332
Commission and fees		**13,259**	15,570
Commission and fees paid or bank charges		**69**	47

24.1 This represents fees earned from managing the Parent and affiliates portfolios and providing advisory services.

24.2 This represents fees earned from advisory work performed by the Company.

24.3 Service charges include the cost of IT support, banking services, marketing, human resources and other back-office expenses, which are performed by the Parent for the Company under a Service Level Agreement.

All the above transactions are settled through the bank account maintained with the Parent on yearly basis.

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Transactions with the mutual funds managed by the Company:

	2023 SAR'000	2022 SAR'000
Assets management fee, net	**282,839**	383,276
Dividend income	**13,859**	11,379
Unrealized (loss) / gain on investments carried at FVOCI	**(11,711)**	345
Realized gain from sale of investments carried at FVSI	**13,207**	9,064
Unrealized gain on investments carried at FVSI	**51,139**	22,374

c) Transactions with Board of Directors and key management personnel of the parent company and their affiliates:

	2023 SAR'000	2022 SAR'000
Commission and fees	**766**	1,301

d) Transactions with Board of Directors and key management personnel of the Company and their affiliates:

	2023 SAR'000	2022 SAR'000
Commission and fees	**102**	126

e) Remuneration and compensation of BOD Members and key management personnel:

	2023 SAR'000	2022 SAR'000
BOD and Committee members	**1,887**	1,411
Key management personnel	**27,287**	22,300

f) Related party balances:

	2023 SAR'000	2022 SAR'000
Cash and cash equivalents	**144,589**	35,085
Service charges (SLA)	**38,331**	14,594
Accrued income	**8,429**	15,381
Zakat payable	**9,757**	52,338
Lease liabilities	**2,934**	8,419

25 EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

	2023 SAR'000	2022 SAR'000
Present value of employees' end of service benefits	**60,416**	50,436

25.1 Principal actuarial assumptions

The major financial assumptions used to calculate the employees' post-employment benefits liabilities are as follows:

	2023	2022
Discount rate	**5.53%**	5.38%
Salary increase rate	**5.00%**	4.00%

25 EMPLOYEES’ END OF SERVICE BENEFITS (EOSB) (continued)

25.2 Movements in employees' end of service benefits

The movements in employees' post-employment benefits recognized in the statement of financial position are as follows:

	2023 **SAR’000**	2022 SAR’000
Net liability at the beginning of the year	**50,436**	56,504
Current service cost	**5,907**	7,229
Interest cost	**2,746**	1,588
Benefits paid during the year	**(2,611)**	(4,818)
Remeasurement loss/(gain) on employees’ end of service benefits	**3,938**	(10,067)
Net liability at the end of the year	**60,416**	50,436

25.3 Amounts recognized in the statement of income

	2023 **SAR’000**	2022 SAR’000
Employer's current service	**5,907**	7,229
Interest cost	**2,746**	1,588
	8,653	8,817

25.4 Sensitivity analysis for significant actuarial assumptions

The sensitivity of the employees' post-employment benefit to changes in the principal assumptions is:

		Increase / (decrease) in present value of employees' end of service benefits liability	
	Change in assumption	**Amount SAR’000**	**%**
Discount rate	+0.5%	**(1,551)**	-3.08%
	-0.5%	**2,032**	4.03%
Salary growth rate	+0.5%	**2,048**	4.06%
	-0.5%	**(1,585)**	-3.14%

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

26 SPECIAL COMMISSION EXPENSE

	Note	**2023** **SAR’000**	2022 SAR’000
Finance cost on short-term borrowings		**7,540**	10,934
Interest expense on lease liabilities	*13*	**41**	103
		7,581	11,037

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

27.1 Financial risk factors

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk and equity risk), credit risk, liquidity 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, deposit with Muqassa, time deposit, accrued income, margin lending, investments carried at FVSI, investments carried at FVOCI, investments carried at amortised cost, other receivables, short term borrowings, lease liability and other liabilities. 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.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The financial instruments of the Company are denominated in SAR. The Company's transactions are principally in SAR and exposures in foreign currencies are not significant.

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Company does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

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

(iii) Price Risk

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

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds. The Company diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Company has equity investments in Investee funds.

	2023 SAR’000		2022 SAR’000	
	Potential reasonable change %	**Effect on equity**	Potential reasonable change %	Effect on equity
Investment funds – managed by Riyad Capital	**±5%**	**64,094**	±5%	63,791
	±10%	**128,187**	±10%	127,582
Investment funds – others	**±5%**	**7,617**	±5%	4,372
	±10%	**15,234**	±10%	8,744
Riyad REIT Fund	**±5%**	**5,086**	±5%	5,672
	±10%	**10,172**	±10%	11,344

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.1 Financial risk factors (continued)

(b) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk for cash and cash equivalents, deposit with Muqassa, time deposit, accrued income, margin lending and investment carried at amortised cost and other receivables as follows:

	2023 SAR'000	2022 SAR'000
Cash at bank	**144,591**	35,272
Short term deposits	**171,907**	323,117
Deposit with Muqassa	**70,127**	115,420
Time Deposit	**-**	100,000
Accrued income	**258,338**	227,513
Margin lending	**516,104**	245,149
Investments carried at amortized cost	**83,000**	83,000
Other assets	**99,438**	216,898

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on cash and cash equivalents, deposit with Muqassa, time deposit, margin lending, accrued income, investments carried at amortised cost and other receivables is limited as:

Cash balances included short term deposits are held with banks with investment grade credit ratings. Company's policy is to enter into financial instrument contracts with reputable counterparties. The Company seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The receivable against margin lending has adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the financial assets.

The Company applies the IFRS 9 to measuring expected credit losses for all financial assets. The Company did not recognize ECL on cash and cash equivalents, deposit with Muqassa, time deposit, margin lending, accrued income, investments carried at amortised cost and other receivables, because the amount was immaterial.

The following table explains changes in gross carrying amount of the accrued income and other financial institutions to help explain their significance to the changes in the loss allowance for the same portfolio:

		2023 (SAR'000)		
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL Credit impaired**	**Total**
A. Margin Lending				
Gross carrying amount	**516,104**	**-**	**5,444**	**521,548**
Expected Credit Loss	**-**	**-**	**(5,444)**	**(5,444)**
Net carrying amount	**516,104**	**-**	**-**	**516,104**
B. Accrued Income				
Gross carrying amount	**258,338**	**-**	**6,949**	**265,287**
Expected Credit Loss	**-**	**-**	**(6,949)**	**(6,949)**
Net carrying amount	**258,338**	**-**	**-**	**258,338**

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.1 Financial risk factors (continued)

(b) Credit risk (continued)

	2022 (SAR'000)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL Credit impaired	Total
A. Margin Lending				
Gross carrying amount	245,149	-	5,380	250,529
Expected Credit Loss	-	-	(5,380)	(5,380)
Net carrying amount	245,149	-	-	245,149
B. Accrued Income				
Gross carrying amount	227,513	-	-	227,513
Expected Credit Loss	-	-	-	-
Net carrying amount	227,513	-	-	227,513

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Financial assets of the Company as at year-end mainly included balances with bank, deposits, accrued income, margin lending and investments measured at FVSI and investments measured at FVOCI for long term which can be utilized to meet changing liquidity requirements. Management monitors forecasted cash flow on a regular basis and ensures that positive cash flows from operating activities are maintained to fund the Company's future commitments.

Maturity Profiles

The table below summarizes the maturity profile of significant financial assets and liabilities of the Company based on expected maturities. The table below is based on discounted values. There is no significant impact of undiscounted cash flows of liabilities:

<u>2023</u>	**SAR'000**			
	No fixed maturity	**Less than 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	**316,598**	-	-	**316,598**
Deposit with Muqassa	**70,127**	-	-	**70,127**
Time Deposit	-	-	-	-
Accrued income	-	**258,338**	-	**258,338**
Margin lending	-	**516,104**	-	**516,104**
Prepayments and other assets	-	**99,438**	-	**99,438**
Investments carried at FVSI	**1,434,212**	-	-	**1,434,212**
Investments carried at FVOCI	**101,724**	-	-	**101,724**
Investments carried at amortized cost	-	-	**83,000**	**83,000**
TOTAL ASSETS	**1,922,661**	**873,880**	**83,000**	**2,879,541**
<u>LIABILITIES</u>				
Short term borrowing	-	-	-	-
Accrued expenses and other current liabilities	-	**171,795**	-	**171,795**
Lease Liabilities	-	**2,934**	-	**2,934**
TOTAL LIABILITIES	-	**174,729**	-	**174,729**

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Maturity Profiles (continued)

2022	SAR'000			
	No fixed maturity	**Less than 1 year**	**More than 1 year**	**Total**
Cash and cash equivalents	358,489	-	-	358,489
Deposit with Muqassa	115,420	-	-	115,420
Time Deposit	-	100,000	-	100,000
Accrued income	-	227,513	-	227,513
Margin lending	-	245,149	-	245,149
Prepayments and other assets	-	216,898	-	216,898
Investments carried at FVSI	1,363,258	-	-	1,363,258
Investments carried at FVOCI	113,435	-	-	113,435
Investments carried at amortized cost	-	-	83,000	83,000
TOTAL ASSETS	1,950,602	789,560	83,000	2,823,162
LIABILITIES				
Short term borrowing	-	258,878	-	258,878
Accrued expenses and other current liabilities	-	174,554	-	174,554
Lease Liabilities	-	5,776	2,645	8,421
TOTAL LIABILITIES	-	439,208	2,645	441,853

(d) 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.

27.2 Fair value Estimation

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer and those prices represent actual and regularly occurring market transactions between market participants.

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Specific valuation techniques used to value financial instruments include:

- For level 1 financial instruments quoted market prices for financial instruments;

- For level 2 and level 3 financial instruments the Company uses the net asset value of the respective funds, where underlying assets are carried at fair value.

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.2 Fair value Estimation (continued)

The table below presents the financial instruments at their fair values as of 31 December based on the fair value hierarchy:

2023	**SAR'000**				
Financial assets not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**316,598**	**-**	**-**	**316,598**	**316,598**
Deposit with Muqassa	**70,127**	**-**	**-**	**70,127**	**70,127**
Time Deposit	**-**	**-**	**-**	**-**	**-**
Accrued income	**258,338**	**-**	**-**	**258,338**	**258,338**
Margin lending	**516,104**	**-**	**-**	**516,104**	**516,104**
Prepayments and other assets	**99,438**	**-**	**-**	**99,438**	**99,438**
Investments carried at amortized cost	**83,000**	**-**	**-**	**83,000**	**83,000**
	1,343,605	**-**	**-**	**1,343,605**	**1,343,605**

2023	**SAR'000**				
Financial assets measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at FVSI	**1,434,212**	**-**	**1,364,008**	**70,204**	**1,434,212**
Investments carried at FVOCI	**101,724**	**101,724**	**-**	**-**	**101,724**
	1,535,936	**101,724**	**1,364,008**	**70,204**	**1,535,936**

2023	**SAR'000**				
Financial liabilities not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short term borrowing	**-**	**-**	**-**	**-**	**-**
Accrued expenses and other current liabilities	**171,795**	**-**	**-**	**171,795**	**171,795**
	171,795	**-**	**-**	**171,795**	**171,795**

2022	**SAR'000**				
Financial assets not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	358,489	-	-	358,489	358,489
Deposit with Muqassa	115,420	-	-	115,420	115,420
Time Deposit	100,000	-	-	100,000	100,000
Accrued income	227,513	-	-	227,513	227,513
Margin lending	245,149	-	-	245,149	245,149
Prepayments and other assets	216,898	-	-	216,898	216,898
Investments carried at amortized cost	83,000	-	-	83,000	83,000
	1,346,469	-	-	1,346,469	1,346,469

27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

27.2 Fair value Estimation (continued)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2023, and 2022, there were no transfers into or out of Level 3 fair value measurements.

2022	SAR'000				
Financial assets measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments carried at FVSI	1,363,258	-	1,292,787	70,471	1,363,258
Investments carried at FVOCI	113,435	113,435	-	-	113,435
	1,476,693	113,435	1,292,787	70,471	1,476,693

2022	SAR'000				
Financial liabilities not measured at fair value	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short term borrowing	258,878	-	-	258,878	258,878
Accrued expenses and other current liabilities	174,554	-	-	174,554	174,554
	433,432	-	-	433,432	433,432

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

28 RESTATEMENT OF COMPARATIVE

Management has re-evaluated the presentation of certain line items in the statement of income to determine if such transactions have been presented appropriately in line with the requirements of IFRS as endorsed in KSA. Changes in presentation,, have resulted in consequential changes to comparatives that were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

As a result, management restated the comparatives to correct the misstatements detailed below in the financial statements for the year ended 31 December 2022 as prior year restatements.

28.1 Reclassification of special commission income on margin lending previously included within "Commission on brokerage services, net", to "Special Commission Income"

In prior years, the special commission income was classified within "Commission on brokerage services, net" on the face of the statement of income.

International Accounting Standard 1- Presentation of Financial Statements requires the profit or loss section or the statement of profit or loss to present (a) revenue, separately from interest revenue calculated using the effective interest method;

During the year, management considered the above requirements and reclassified the special commission income from margin lending, which represents a revenue stream of the Company from "Commission on brokerage services" to "Special commission income". As a result, the comparatives are restated to present "Special commission Income" as a separate financial statement line item on the face of the statement of income.

28 RESTATEMENT OF COMPARATIVE (continued)

28.2 Reclassification of special commission expense on short term borrowing previously included within 'Commission on brokerage services, net' to "Special Commission Expense"

In prior years, the Company recorded special commission expenses on borrowings within "Commission on brokerage services, net".

International Accounting Standard 1- Presentation of Financial Statements requires finance costs to be presented separately on the face of the statement of income.

Special commission expenses on borrowings represent finance costs to the Company. Therefore, during the year, management considered the above requirements and restated the comparatives to present "Special commission expenses" as a separate financial statement line item on the face of the statement of income.

28.3 Reclassification of impairment loss on margin lending receivable previously included within "Commission on brokerage services, net" to "Allowance for expected credit losses"

In the previous years, impairment loss from financial assets was presented within "Commission on brokerage services, net" and not as a separate financial statements line item on the face of the statement of income.

During the year, management has reassessed the above requirements and as a result impairment of financial assets has been presented as separate line of "Allowance for expected credit losses items in the statement of income.

28.4 Reclassification of special commission income on term deposits previously included within "Special commission income on deposits" to "Special Commission Income"

In prior years, the special commission income from the term deposits was classified within " Special commission income on deposits' on the face of the statement of income.

International Accounting Standard 1- Presentation of Financial Statements requires the profit or loss section or the statement of profit or loss to present revenue, separately from interest revenue calculated using the effective interest method.

During the year, management considered the above requirements and reclassified the special commission income from "Special commission income on deposits" , which represents a revenue stream of the Company to "Special commission income". As a result, the comparatives are restated to present "Special commission Income" as a separate financial statement line item on the face of the statement of income.

The Company believes that reclassifying Special commission income from deposits and aggregating it with other special commission income provides reliable and more relevant information to the users of the financial statements.

28.5 Reclassification of special commission income on time deposits previously included within "Other income" to "Special Commission Income"

In prior years, the special commission income from the time deposits was classified within "Other income" on the face of the statement of income.

International Accounting Standard 1- Presentation of Financial Statements requires the profit or loss section or the statement of profit or loss to present revenue, separately from interest revenue calculated using the effective interest method.

During the year, management considered the above requirements and reclassified the special commission income from savings deposits, which represents a revenue stream of the Company from "other income" to "Special commission income". As a result, the comparatives are restated to present "Special commission Income" as a separate financial statement line item on the face of the statement of income.

28 RESTATEMENT OF COMPARATIVE (continued)

28.5 Reclassification of special commission income on time deposits previously included within "Other income" to "Special Commission Income" (continued)

The below restatements have no impact on the net income and equity of the Company.

FSLI	For the year ended 31-Dec-22 As previously stated	Adjust ment 1	Adjust ment 2	Adjust ment 3	Adjust ment 4	Adjust Ment 5	For the year ended 31-Dec-22 As restated
	Note	28.11	28.2	28.3	28.4	28.5	
	SAR in 000's						
Commission on brokerage services, net	153,286	(27,346)	10,934	5,380	-	-	142,254
Special commission income	-	27,346	-	-	7,493	458	35,297
Special commission expense	-	-	(10,934)	-	-	-	(10,934)
Allowance for expected credit losses	-	-	-	(5,380)	-	-	(5,380)
Special commission income on deposits	7,493	-	-	-	(7,493)	-	-
Other income	1,477	-	-	-	-	(458)	1,019

29 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. As at December 31, 2023, the Company was in compliance with the externally imposed capital requirements.

30. DIVIDEND DSTRIBUTION

No dividends were declared for the period ended 31 December 2023. (31 December 2022: Nil)

31. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-ended 31 December 2023 that would require additional disclosure or adjustment in these financial statements.

32 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 11 March 2024.