YAQEEN FINANCIAL (YAQEEN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
Together with the
Independent auditor's report

YAQEEN FINANCIAL (YAQENN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

Independent auditor's report

To the shareholder of Yaqeen Capital Company

Opinion

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

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

Basis for opinion

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

Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter (continued)

Valuation of investments in units of private real estate funds – held at fair value through profit of loss ("FVPTL")

See Note 8 and 3.11 to the financial statements

Key audit matter	How the matter was addressed in our audit
The carrying value of the Company's investment held in the units of private real estate Funds – held at fair value through profit or loss (FVTPL) amounted to SR 21.5 million as at 31 December 2023. The valuation of investment in private real estate investment Funds are based on estimates and judgements that underpin the valuation of real estate investments held by the Fund, which make up majority of the Fund's underlying assets. We identified assessing the fair value of the Company's investment in the units of private real estate investment Funds as the key audit matter due to the scale of the investment coupled with the judgmental nature of valuing the underlying Fund's assets that drive the overall investment valuation of Fund units.	Our key audit procedures included the following: • Obtained an understanding of the entity's process for valuation of investments; • Assessed the design and implementation of controls over valuation of private real estate investments; • Obtained the investment Net Asset Values ("NAVs") from management and agreed the investment NAVs with management accounts or audited fund financial statements (where available). • Verified the number of units held by Company in the Funds by obtaining external confirmation. • Obtained real estate valuation reports from the Company and involved our real estate valuation specialists to assess the reasonableness of the data, methods and assumptions used to arrive at the fair values of the underlying Fund's real estate assets. • Assessed the adequacy of financial statement disclosures.

Other matter - comparative information

The financial statements of the Company for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 March 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report once it is made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent auditor's report

To the shareholder of Yaqeen Capital Company (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, and the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISA 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 the ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

Independent auditor's report

To the shareholder of Yaqeen Capital Company (continued)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

Hani Hamzah A. Bedairi
License number: 460

Riyadh: 21 Ramadan 1445H
Corresponding to: 31 March 2024

YAQEEN FINANCIAL (YAQEEN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amount in Saudi Riyals thousands unless otherwise stated)

	Note	**31 December 2023**	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	**103,468**	37,211
Margin deposits with Muqassa	6	**22,461**	45,263
Margin lending and Murabaha financing	7	**86,436**	75,748
Investments held at fair value through profit or loss	8	**30,403**	10,382
Accounts receivables		**29,800**	36,113
Due from related parties	11	**2,011**	738
Other assets	12	**2,017**	2,781
Investment classified as held for sale	10	**-**	42,227
		276,596	250,463
Non-current assets			
Investments held at fair value through profit or loss	8	**33,934**	5,850
Property and equipment	9	**854**	52,536
Investment property	9	-	10,528
Right of use asset	9	**8,679**	-
Total assets		**320,063**	319,377
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term financing		**-**	50,000
Accounts payable and accruals		**17,637**	19,037
Current portion of lease liability	9	**2,062**	-
Zakat and income tax payable	13	**16,516**	12,586
		36,215	81,623
Non-current liability			
Employees' end of service benefits	19	**15,843**	15,462
Lease liability	9	**9,203**	-
Total liabilities		**61,261**	97,085
Shareholders' equity			
Share capital	14	**150,000**	150,000
Statutory reserve		**20,123**	16,300
Re-measurements EOSB recognized in OCI		**(5,509)**	(3,794)
Retained earnings		**94,188**	59,786
Total shareholders' equity		**258,802**	222,292
Total liabilities and shareholders' equity		**320,063**	319,377

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

YAQEEN FINANCIAL (YAQEEN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amount in Saudi Riyals thousands unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022
Revenue			
Commission on brokerage services		**9,044**	18,251
Management and subscription fee from mutual funds		**13,369**	23,629
Advisory services income		**30,853**	51,760
Gain on investment at fair value through profit and loss, net	8	**18,537**	1,906
Income from Murabaha investments		**2,695**	-
Income from Murabaha financing		**2,710**	-
Dividends		**599**	-
Total revenue		**77,807**	95,546
Other income	15	**31,815**	3,486
Total income		**109,622**	99,032
Expenses			
Salaries and employee related expenses		**(42,545)**	(41,230)
Other general and administrative expenses	18	**(18,319)**	(16,944)
Finance cost		**(2,168)**	(6,048)
Reversal of allowance for expected credit losses	7	**575**	(833)
Fair value loss on investment classified as held for sale	10	**-**	(10,174)
Reversal of loss on customers' accounts	16	**343**	(4,252)
Other expenses - net	17	**845**	(3,234)
Total operating expenses		**(61,269)**	(82,715)
Net Income before zakat		**48,353**	16,317
Zakat expense	12	**(10,128)**	(12,499)
Net Income for the year		**38,225**	3,818
Other comprehensive loss for the year		**(1,715)**	(1,392)
Total comprehensive income for the year		**36,510**	2,426
EARNING PER SHARE			
Basic and diluted	21	**2.55**	0.25

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

YAQEEN FINANCIAL (YAQEEN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(Amount in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total Shareholder's equity
Balance at 1 January 2023	**150,000**	**16,300**	**(3,794)**	**59,786**	**222,292**
Net Income for the year	**-**	**-**	**-**	**38,225**	**38,225**
Other comprehensive loss	**-**	**-**	**(1,715)**	**-**	**(1,715)**
Total comprehensive income for the year	**-**	**-**	**(1,715)**	**98,011**	**36,510**
Transfer to statutory reserve	**-**	**3,823**	**-**	**(3,82٣)**	**-**
Balance at 31 December 2023	**150,000**	**20,123**	**(5,509)**	**94,18٨**	**258,052**
Balance at 1 January 2022	150,000	15,918	(2,402)	56,350	219,866
Net Income for the year	-	-	-	3,818	3,818
Other comprehensive loss	-	-	(1,392)	-	(1,392)
Total comprehensive income for the year	-	-	-	3,818	2,426
Transfer to statutory reserve	-	382	-	(382)	-
Balance at 31 December 2022	150,000	16,300	(3,794)	59,786	222,292

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

YAQEEN FINANCIAL (YAQEEN CAPITAL) COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Amount in Saudi Riyals thousands unless otherwise stated)

	Note	**31 December 2023**	31 December 2022
Cash flows from operating activities:			
Net Income before zakat for the year		**48,353**	16,317
Adjustments for non-cash and other items:			
Depreciation of property and equipment		**1,140**	1,818
Depreciation of investment property		**157**	342
Depreciation on right of use assets	9	**1,060**	-
Gain on disposal of property and equipment		**(24,704)**	-
Gain on disposal of investment property		**(5,044)**	-
Fair value gain from investments at FVTPL, net	8	**(18,537)**	(1,906)
Provision for employee end of service benefits	19	**2,138**	1,570
Finance costs	9	**1,705**	6,048
Interest on lease liability		**462**	-
(Reversal) provide of allowance for expected credit losses	7	**(575)**	833
(Reversal) provide of absorption of impairment on fund's financial assets		**(845)**	3,234
(Reversal) provide of loss on customers' accounts		**(343)**	4,252
Fair value loss on investment classified as held for sale		**-**	10,174
Changes in operating assets and liabilities:			
(Increase) / decrease in margin lending and Murabaha financing		**(8,383)**	177,811
(Increase) / decrease in due from related parties		**(1,876)**	2,039
Decrease / (increase) in other assets		**5,308**	(12,832)
(Increase) / decrease in accounts payable and accruals		**(1,184)**	(14,437)
Decrease / (increase) in margin deposit with Muqassa		**22,801**	(45,263)
Net cash from operations		**21,633**	150,000
Employee end of service benefits paid		**(3,472)**	(1,298)
Zakat paid		**(6,199)**	(4,649)
Net cash generated from operating activities		**11,962**	144,053
Cash flows from investing activities:			
Purchase of property and equipment		**(254)**	(422)
Purchase of investment classified as held for sale		**-**	(125,607)
Proceeds from disposal of investments held for sale	10	**54,682**	76,067
Purchase of investments held at FVTPL		**(334,537)**	(12,158)
Proceeds from disposal of investments held at FVTPL	8	**309,148**	7,208
Proceeds from disposal of property and equipment	9	**76,961**	-
Net cash generated / (used in) from investing activities		**106,000**	(54,912)
Cash flows from financing activities:			
Proceeds from a related party		**-**	(129,389)
Repayment of short term financing		**(50,000)**	50,000
Finance costs paid		**(1,705)**	(6,276)
Net cash used in from financing activities		**(51,705)**	(85,665)
Net change in cash and cash equivalents		**66,257**	3,476
Cash and cash equivalents at the beginning of the year		**37,211**	33,735
Cash and cash equivalents at the end of the year	5	**103,468**	37,211
Supplemental non-cash information			
Investment in units of Yaqeen Income Generating Fund		**16,634**	-

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

(Amount in Saudi Riyals thousands unless otherwise stated)

1. GENERAL

Yaqeen Financial (Yaqeen Capital) Company (the "Company"), (Single Person Saudi Closed Joint Stock Company), was incorporated in Kingdom of Saudi Arabia and was formed pursuant to the Ministerial Resolution number 2631 dated 10 Ramadan 1427H (corresponding to 3 October 2006). The Company operates under Commercial Registration number 1010226584, dated 4 Dhu Al Hijjah 1427H (corresponding to 25 December 2006) in Riyadh, through its two branches in the Kingdom of Saudi Arabia. The Falcom Holding Company is the ultimate parent of the Company.

On September 1, 2021 (G) corresponding to Muharram 24, 1443 (H), the general assembly of the Company decided to offer 20% of the Company's shares in Nomu – Parallel market through an Initial Public Offering (IPO). A preliminary no objection letter was received from Capital Market Authority ("CMA") on October 5, 2021 (G) corresponding to Safar 28, 1443 (H). On 18 March 2024 corresponding to Ramadan 08, 1445 (H) CMA has issued its resolution for approving the Company's application for the registration and offering of shares in Parallel market. The CMA approval on application is valid for the period of six months from the CMA resolution.

On 12 June 2022, the Company's Board of Directors recommended to the General Assembly a proposed increase in the share capital from SR 150 million to SR 200 million by increasing the number of shares from 15 million shares to 20 million shares. The proposed increase of SR 50 million in the share capital will be through a transfer from the retained earnings. This increase is subject to approval of the General Assembly meeting, which was deferred by General Assembly meeting held for the year ended 31 December 2022 and would be considered in upcoming annual General Assembly meeting for the year ended 31 December 2023.

The Company has the following branches in the Kingdom Saudi Arabia and the results, assets, and liabilities, of the following branches are included in this financial information.

S. No	Commercial Registration Number	Date (Hijri)	City
1	2051062669	24 Ramadan 1437	Khobar
2	4030290109	24 Ramadan 1437	Jeddah

The address of the Company's principal place of business is as follows:

Yaqeen Capital Company
P.O. Box 884
Riyadh 11421
Kingdom of Saudi Arabia

The Company obtained license (number 37-06020) from the Capital Market Authority ("CMA") on 19 February 2006 to perform the following securities related activities:

1. Act as principal, agent, and underwriter,
2. Manage and establish mutual funds and portfolios,
3. Provide arranging services,
4. Provide advisory services, and
5. Provide custodial services for the purposes attributable to mutual funds and management of portfolios and brokerage for international equity.

2. BASIS OF PREPARATION

(i) Statement of compliance

The accompanying financial statements presenting the operations conducted by the Company for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting standards as issued by the International Accounting Standard Board that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

(ii) Basis of measurement

These financial statements have been prepared under the historical cost convention except for fair value of investments held at fair value through profit or loss and the employees' end-of-service benefits, which have been valued by an independent actuary using the Projected Unit Credit Method. The statement of financial position has been presented in current and non-current classification.

(iii) Going concern

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

(iv) Functional and presentation currency

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

(v) Standard amendments issued and effective.

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

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction.

(vi) Standard amendments issued but not yet effective.

The standards applied in these financial statements are those in issue as at the reporting date and are effective for annual periods beginning on or after 1 January 2024.

Following new standards and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendments to IFRS 10 and IAS 28

The Company has not early adopted any standards, interpretations, or amendments before their effective date. The management of the Company anticipates that the application of the above new standards and amendments in the future will not have a significant impact on the amounts reported.

3. MATERIAL ACCOUNTING POLICIES

3.1 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortized cost and FVOCI (If any).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) the contractual cash flows that are due to an entity under the contract; and

(b) the cash flows that the entity expects to receive.

The financial assets of the Company are categorized as follows:

3.1 (a) *Performing financial assets :*

These represent the financial assets where Customers have a low risk of default and a strong capacity to meet contractual cash flows.

As per the management past due information is the most appropriate basis for assessing the increase in credit risk in the Company and based on their experience and analysis, the balances which are less than 90 days past due does not result in significant increase in credit risk and considered as performing.

The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

3.1 (b) *Underperforming financial assets* :

These represent the financial assets where there is a significant increase in credit risk and that is presumed if a debtor is more than 90 days past due in making a contractual payment/ installment.

The Company measures the loss allowance for underperforming financial assets at an amount equal to life-time expected credit losses.

3. MATERIAL ACCOUNTING POLICIES

3.1(c) *Non-performing financial assets:*

These represent defaulted financial assets. A default on a financial asset is considered when the debtor fails to make a contractual payment/ installment within 180 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to life-time expected credit losses.

3.1(d) Write off 's:

Financial asset is written-off only when:

(i) that is past due at least from two years, and
(ii) There is no reasonable expectation of recovery.

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are credited against the (Charge) / reversal of allowance for expected credit losses "ECL".

3.2 Margin lending and murabaha financing

Margin lending and murabaha financing are recognized when cash is advanced to the borrowers. They are derecognized when either the 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. These facilities are advanced to customers for the purpose of investments and trading in shares. The Company classified all margin lending and Murabaha financing facilities on amortized cost model.

Margin lending and murabaha financing are carried at the amount advanced to the customers, including related transaction cost less any allowance for credit losses, if any. An allowance against expected credit losses incorporates forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. A macroeconomic adjustment is applied in order to incorporate forward looking outcome.

3.3 Investment management services

The Company offers investment services to its customers which include management of certain investment funds. The Company's share of these funds is included in investment is mutual funds. Assets held in trust or in a fiduciary capacity, if any, are not treated as assets of the Company and, accordingly, are not included in the financial statements.

3.4 Zakat

The Company is subject to zakat in accordance with the regulations of zakat and Income Tax. Provision for zakat is charged to the profit or loss section of the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

3 MATERIAL ACCOUNTING POLICIES

3.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on assets is charged to the statement of comprehensive income, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

Leasehold improvements	useful life or lease term whichever is shorter
Furniture and fixtures	4-5 years
Motor vehicles	5 years
Computers	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in statement comprehensive income.

Maintenance and normal repairs, which do not materially extend the estimated useful life of an asset, are charged to the statement comprehensive income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

3.6 Revenue

The revenue of the Company broadly categorised as:

(a) Contract with customers (including brokerage income, investment banking and asset management fees)
(b) Dividend income
(c) Trading income / (loss)

3 MATERIAL ACCOUNTING POLICIES (continued)

3.6 Revenue (continued)

The related accounting policies are follows:

1 Contracts with customers (including brokerage income, investment banking and asset management fees)

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

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

Brokerage income

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments. The Company recognizes the revenue at point in time against the brokerage income. The primary geographical market for brokerage income services is Kingdom of Saudia Arabia.

Asset management fees

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

3 MATERIAL ACCOUNTING POLICIES (continued)

Advisory Income

This relates to income generated by providing financial advisory services to financial institutions, individual and institutional investors. The Company charges financial advisory service fee upon delivery of services or once performance obligation is fulfilled based on the agreement between the Company and the counterparty and satisfied over the period of time. The primary geographical market for advisory income services is Kingdom of Saudia Arabia.

3.7 Special commission income on Murabaha financing

Special commission income for all special commission bearing financial instruments (Murabaha financing) is recognised in the statement comprehensive income using the effective commission rate basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

If a financial asset subsequently becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

The calculation of the effective yield considers all contractual terms of the financial instruments (Murabaha contract receivables) and includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective special commission rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset.

3.8 Leases

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

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

Right of use assets

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

(a) Less any accumulated depreciation and any accumulated impairment losses; and
(b) Adjusted for any re-measurement of the lease liability for lease modifications

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

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

1 Increasing the carrying amount to reflect the interest on the lease liability.
2 Reducing the carrying amount to reflect the lease payments made; and
3 Re-measuring the carrying amount to reflect any reassessment or any lease modification.

3.9 Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company's By-laws, 10% of profit for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals at least 30% of the share capital. The reserve is not available for distribution.

3.10 Transaction cost related to initial public offering (IPO)

As per the Company's agreement with the Parent Company, the Company records IPO related costs as an amount due from the Parent Company which would be settled through a deduction from proceeds of the IPO.

3.11 Critical accounting estimates and adjustments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

3. MATERIAL ACCOUNTING POLICIES (continued)

3.11 Critical accounting estimates and adjustments (continued)

Employees' terminal benefits liabilities

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. For details of the assumptions please refer (note 19).

Impairment losses on accounts receivables

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss (ECL). The allowance for ECL on trade and other receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Margin lending and murabaha financing is normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

Determination of control over the investee

The Company performs an assessment and annually re-assesses its control over the Funds under IFRS 10 in its capacity as a fund manager. In making this assessment the Company focuses on the assessment of aggregate economic interest of the Company in the Funds and the unit holders right to remove the fund manager. On the basis of the assessment, the Company concludes as to whether it is acting as an agent for all the unit holders based on which it concludes whether or not to consolidate the financial results of the funds in its financial statements.

Valuation of Investment in units of private real estate Funds

The valuation of Company's investments in private real estate investments Funds held at fair value through profit or loss are subject to estimates and judgements that underpin the valuation of underlying real estate assets of the funds. The significant assumptions impacting the fair value of the underlying real estate assets include, amongst others, expected cashflows and discount rate etc. These assumptions are subject to variation primarily based on the location of the underlying real estate assets. The management of the Company engages two third party qualified valuers to perform valuation in accordance with the methods recommended by IFRS 13 and the carrying amount of underlying real estate assets is initially recorded and subsequently adjusted based on the average market values determined by the said valuers.

(Amount in Saudi Riyals thousands unless otherwise stated)

5. CASH AND CASH EQUIVALENTS

	Note	**As at 31 December 2023**	As at 31 December 2022
Cash in hand		**43**	43
Current accounts in Banks		**25,420**	37,168
Short term Murabaha deposits	5.1	**78,005**	-
		103,468	37,211

5.1 Murabaha deposits are placed with a commercial bank operating in the Kingdom of Saudi Arabia. These Murabaha deposits have an original maturity period of 3 months and profit rates ranging from 5.85% to 6.15% per annum (31 December 2022: Nil).

6. MARGIN DEPOSITS WITH MUQASSA

As at December 31, 2023, the company had a restricted cash balance of SR 22.4 million (31 December 2022: SR 45 million) deposited with Securities Center Company (Muqassa) who acts as an intermediary between two parties to a securities trade. Muqassa is responsible for the settlement of the transaction and the trading parties eliminating counterparty risk. Muqassa requires the company to have margin and default fund contributions that are calculated based on trading activities as an exchange member for the past one year. Therefore, the Company has deposited SR 22.4 million with Muqassa and they are currently restricted.

7. MARGIN LENDING AND MURABAHA FINANCING

	Note	**As at 31 December 2023**	As at 31 December 2022
Margin lending	7.1	**48,430**	38,502
Murabaha financing	7.2	**39,174**	38,988
Allowance for expected credit losses	7.3	**(1,168)**	(1,742)
		86,436	75,748

7.1 The Company provides margin lending facilities to certain clients for dealing in the local stock market through the Company. The Company has the option to liquidate the client's investment portfolio to ensure repayment of the lending amount in case of default. These facilities have tenure up to a maximum period of three months. Such lending does not bear any commission or charges.

7.2 The Company provides Murabaha financing to acquire shares for a tenure from three to twelve months through the Company. The Company has the option to liquidate the client’s investments portfolio to ensure repayment of the Murabaha amount in case of default. Such financing bears a pre-agreed profit margin.

7.3 All the balances at the year-end were classified as performing. The Company has the option to liquidate the client’s investment portfolio to ensure repayment of the lending amount in case of default. Outstanding amounts are subsequently settled within the tenure of the facilities. The facilities are fully collateralized. The Company is continuously monitoring the market value of the collateral of each customer and the Company has stop loss measure in case if its value falls by 25% of the original value of the portfolio, then the Company liquidate the investment up to the amount lent. If the proceeds from the disposal of the investment are below the carrying value, the borrower is followed up to recover the difference. During the year ended 31 December 2023, the Company has performed an impairment assessment for the outstanding balances and recorded the reversal of provision of SR 0.6 million on margin lending.

(Amount in Saudi Riyals thousands unless otherwise stated)

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

As at 31 December 2023, investment securities are classified as FVTPL comprises of investments in units of Yaqeen Murabaha Funds, Yaqeen Saudi Equity ETF Fund, Yaqeen Petrochemical ETF fund, Yaqeen Gold Fund, Yaqeen Income generating Fund, Yaqeen Arar Hills Funds and Yaqeen Murabaha financing funds.

	As at 31 December 2023	As at 31 December 2022
Opening fair value	**16,232**	12,237
Units purchased during the year	**361,171**	468,657
Units redeemed during the year	**(317,999)**	(464,670)
Change in fair value	**4,933**	8
Closing fair value	**64,337**	16,232

As at 31 December 2023, investment securities are classified as FVTPL comprises of investments in units of following funds.

	As at 31 December 2023	As at 31 December 2022
Current		
Yaqeen SAR Murabaha Fund (level 3)	**19,304**	-
Yaqeen Saudi Equity ETF Fund (level 1)	**9,254**	7,585
Yaqeen Petrochemical ETF Fund (level 1)	**1,845**	2,797
Total	**30,403**	10,382
Non-current		
Yaqeen Gold Fund (level 2)	**4,033**	3,592
Yaqeen Income Generating Fund (level 3)	**20,214**	-
Yaqeen Arar Hills Funds (level 3)	**1,285**	1,064
Yaqeen Murabaha Financing Fund (level 3)	**8,402**	1,194
Total	**33,934**	5,850
Total investments at FVTPL	**64,337**	16,232

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

	For the year ended	
	31 December 2023	31 December 2022
Unrealized gain on investments at fair value through profit or loss, net	**4,933**	2,861
Unrealized gain on held for sale investment held at fair value through profit or loss, net	**-**	8
Realized gain / (loss) on investments at fair value through profit or loss, net	**13,604**	(963)
	18,537	1,906

(Amount in Saudi Riyals thousands unless otherwise stated)

9. LEASES

During the year, the Company, in its capacity as a Fund Manager, established a real estate fund Yaqeen Income Generating Fund ("the Fund"), on June 15th, 2023, following the approval of the CMA. The Company then has sold its land & building and investment property having a carrying value of SR 61.16 million and a fair value of SR 96.5 million to the Fund on June 15th , 2023 at a consideration of SR 93.6 million, of which SR 76.67 million has been received in cash and the remaining in return of units in the Yaqeen Income Generating Fund which has been accounted for as an investment at FVTPL (note 8). A gain of SR 29.7 million has been recognized in the statement of comprehensive income related to this transaction.

Subsequent to the above sale, the Company leased back a portion of the building from the Fund for a lease term of five years.

Right of use asset

Amounts recognized in statement of financial position and statement of comprehensive income in relation to right of use asset are as follows:

	As at 31 December 2023	As at 31 December 2022
Balance at the beginning of the year	**-**	-
Additions during the year	**9,739**	-
Depreciation charge for year	**(1,060)**	-
Balance at the end of the year	**8,679**	-

Lease liability

Amounts recognized in statement of financial position and statement of comprehensive income in relation to lease liability are as follows:

	As at 31 December 2023	As at 31 December 2022
Balance at the beginning of the year	**-**	-
Additions during the year	**12,419**	
Interest expense for the year	**462**	-
Payment for lease liability	**(1,616)**	-
Balance at the end of the year	**11,265**	-
Lease liability on right-of-use asset – current	**2,062**	-
Lease liability on right-of-use asset – non-current	**9,203**	-

10. INVESTEMENT CLASSIFIED AS HELD FOR SALE

During the year ended 2022, the Company entered in an agreement where it acted as an Underwriter for Gulf Union Cooperative Insurance Company during their issue of right shares. A total of 22.9 million shares were offered, 6.2 million shares were sold during the trading and subscription period, and 4.18 million shares were sold to the institutional investors. The unpurchased shares of 12.5 million shares were covered by the Company being the underwriter. As a result, the Company owned 27.37% in Gulf Union Cooperative Insurance Company on 07 June 2022. The cost of the investment in Gulf Union Cooperative Insurance Company was SR 125.6 million.

(Amount in Saudi Riyals thousands unless otherwise stated)

10. INVESTEMENT CLASSIFIED AS HELD FOR SALE (CONTINUED)

The 27.37% investment in Gulf Union Cooperative Insurance Company was acquired exclusively with a view to its subsequent disposal, due to which this investment was classified as a non-current asset held for sale at the acquisition date in accordance with the requirements of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*

The Company partially sold its stake in Gulf Union Cooperative Insurance Company and hence the investment was decreased from 27.37% to 10.765% during the year ended 31 December 2022 and in current year, the Company completely disposed its investments at an amount of SR 54.5 million, the cost of which was SR 49.4 million.

11. RELATED PARTY

In the ordinary course of business, the Company transacts with its related parties which is based on the agreed terms. The principal related parties of the Company are Falcom Holding Company ("the Parent Company") and associates of the Parent Company (The entities over which parent has a significant influence).

The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company. The balances with related parties are payable on demand, unsecured and commission free.

Related party balances as of 31 December 2023 were as follows:

Related party name and nature of balance outstanding	**Relationship**	**As at 31 December 2023**	As at 31 December 2022
Due from related parties*			
Falcom Holding Company	**Parent Company**		
Professional charges		**2,011**	724
Al Amthal Financing Company	**Associate of Parent Company**		
Rent receivables		**-**	14
		2,011	**738**

***Management has considered the impact of expected credit loss in relation to these balances outstanding at the year end and considers it to be immaterial.

11.1 Significant related party transactions during the year were as follows:

	31 December 2023	31 December 2022
a) Falcom Holding Company – Parent company:		
Rental income	**834**	1,837
Professional fees	**1,291**	**-**
Purchase of Gulf Union Cooperative Insurance Company Shares		22,231
b) Associates of the Parent Company:		
Rental income	**1,014**	1,128
Commission on brokerage services	**-**	200
Management fees	**2,000**	353
c) Directors and Key Management		
Key management compensation	**10,807**	9,763
Directors remunerations and related committees	**6,532**	3,115

(Amount in Saudi Riyals thousands unless otherwise stated)

12. OTHER ASSETS

	As at 31 December 2023	As at 31 December 2022
Prepaid expenses	**1,698**	1,720
Loans to employees	**319**	1,061
	2,017	2,781

13. ZAKAT AND INCOME TAX PAYABLE

Status of Zakat assessments

The Company has submitted its zakat declarations with the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended 31 December 2022. And prior year assessments are summarized as follows:

I. For the years from 2012 to 2016

During 2019, the ZATCA has issued its final zakat assessments for the financial years 2012 to 2016 requesting the Company to settle additional zakat liability amounting to SR 7.79 million for the above years. The Company has appealed against such assessments at the Higher Appeal Committee following the ruling issued by the preliminary appeal committee earlier, which upheld ZATCA's decision. As at 31 December 2023, the Company has maintained a provision in full for the above-mentioned zakat liability.

II. For the year 2019

On 21 January 2024 the Company received final zakat assessment for the year 2019 with additional liabilities of SR 1.86 million in relation to which the Company provided a provision in full.

14. SHARE CAPITAL

The authorized and paid-in capital of the Company as of 31 December 2023 is SR 150 million (December 31, 2022: SR 150 million) divided into 15 million shares of SR 10 each. Till the year ended 31 December 2022, 100% of the shares of the Company were owned by the Falcom Holding Company, however during the current year Falcom Holding Company established a limited liability Company "Falcom Yaqeen investment Company" on 27 December 2023 and transferred its 40% stake in the Company to Falcom Yaqeen Investment Company. The shareholding structure of the Company is as follows:

	Ownership%	**Share Capital**	**Ownership%**	**Share Capital**
	As at 31 December 2023		As at 31 December 2022	
Falcom Holding Company	**60%**	**9,000,000**	100%	15,000,000
Falcom Yaqeen Investment Company	**40%**	**6,000,000**	-	-
	100%	**15,000,000**	100%	15,000,000

(Amount in Saudi Riyals thousands unless otherwise stated)

15. OTHER INCOME

	Note	**31 December 2023**	31 December 2022
Gain on disposal of property, plant, and equipment	9	**24,704**	-
Gain on disposal of investment property	9	**5,044**	-
Rental Income		**2,067**	3,486
		31,815	3,486

16. REVERSAL OF LOSS ON CUSTOMER'S ACCOUNTS

In April 2022, the Company implemented a new system based on Saudi Tadawul Group's introduction of new post trade infrastructure enhancements called Post-trade Technology Program ("PTTP"). Being a newly implemented system, certain configuration issues were faced by the management which were detected during the reconciliation process on the client money accounts. A difference amounting to SR 4.25 million was noted in reconciliation, which indicated a need to have a greater amount of money in the relevant client accounts.

In compliance with Article (80) (e) of "Capital Market Institutions" the Company paid the difference from its own money into the client money accounts. The paid amount was recognized as a receivable from clients and was provided in full for the year ended 31 December 2022. During the current year, the Company has been able to recover an amount of SR 0.34 million from certain clients and will continue to pursue collection of the remaining amount where possible.

17. OTHER EXPENSES

This represents a reversal of losses on the fund's financial assets held by Murabaha Financing Fund managed by the Company. The Company passed a resolution on 29 June 2022 for the absorption of losses amounting to SR 7.34 million and amount paid to Murabaha financing fund was initially recognized as a receivable and provided in full for the year ended 31 December 2022. During the financial year ended on 31 December 2022, SR 4.1 million was recovered by the Company from the customers of the Murabaha Financing Fund and SR 1.78 million were recovered during the year ended 31 December 2023.

18. OTHER GENERAL AND ADMINSTRATIVE EXPENSES

	31 December 2023	31 December 2022
Utilities and communication expenses	**9,508**	7,364
Legal and professional charges	**1,217**	2,378
Depreciation of property and equipment	**2,200**	1,818
Electricity and other utilities	**1,194**	986
Rental and premises related expenses	**987**	670
Marketing expenses	**731**	552
Depreciation of investment property	**157**	342
Insurance	**610**	338
Other	**1,715**	2,496
Total	**18,319**	16,944

(Amount in Saudi Riyals thousands unless otherwise stated)

19. EMPLOYEE BENEFIT LIABILITY

	31 December 2023	31 December 2022
Balance as at the beginning of the year	**15,462**	13,798
Provision for the year	**2,138**	1,570
Payments during the year	**(3,472)**	(1,298)
Remeasurement loss	**1,715**	1,392
Balance as at the end of the year	**15,843**	15,462

19.1 Key actuarial assumptions

	31 December 2023	31 December 2022
Discount rate	**4.60%**	4.65%
Salary growth rate	**5 %**	4.65%
Rate of employee turnover	**High**	High

19.2 Sensitivity analysis for actuarial assumptions

	Increase / (decrease) in assumption	**Impact on employee benefit obligations**	
		31 December 2023	31 December 2022
End of service benefits:			
Discount rate	**+ 0.5%**	**(499)**	(443)
	-0.5%	**504**	466
Salary growth rate	**+ 0.5%**	**386**	464
	-0.5%	**393**	(445)

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

19.3 Maturity Profile of employee end of service benefits

The weighted average duration of the employees' end of service benefits is 6.33 years. The expected maturity analysis of undiscounted employees' end of service benefits is as follows:

	31 December 2023	31 December 2022
2023	**2,050**	-
2024	**2,406**	2,808
2025	**2,008**	2,946
2026	**2,020**	2,584
2027	**2,012**	2,441
2028 thereafter	**10,805**	15,027
	21,301	25,806

(Amount in Saudi Riyals thousands unless otherwise stated)

20. FINANCIAL INSTRUMENT FAIR VALUE

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

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

The principal or the most advantageous market are accessible by the Company.

Fair value hierarchy

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

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

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

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

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

		Fair values			
Financial assets measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2023					
Financial assets					
Investments measured at FVTPL					
Financial assets at fair value through profit or loss – current and non-current	**64,337**	**11,099**	**4,033**	**49,205**	**64,337**

		Fair values			
Financial assets measured at fair value	Carrying value	Level 1	Level 2	Level 3	Total
31 December 2022					
Financial assets					
Investments measured as FVTPL					
Financial assets at fair value through profit or loss	58,459	52,609	3,592	2,258	58,459
Investment classified as held for sale (Refer to Note 10)	42,227	42,227	-	-	42,227

The fair values of receivable against margin lending and Murabaha financing, cash and cash equivalents, margin deposits with Muqassa and accounts receivable and other assets which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates and maturities of these financial instruments are less than twelve months. 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.

(Amount in Saudi Riyals thousands unless otherwise stated)

20. FINANCIAL INSTRUMENT FAIR VALUE (CONTINUED)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values.

Type	Fair Value	Valuation Technique	Significant unobservable inputs	Sensitivity to changes in significant unobservable input
Real estate investment funds	21,499	Discounted cashflows	-Expected Cashflows (31 Dec 2023: 600 – 1000 / sq. meter 31 Dec 2022: 487 – 498 / sq. meter) - Discount rate (31 Dec 2023: 10 % 31 Dec 2022: 9.5%)	The estimated fair value would increase or (decrease): -by approx. SR 0.35 million if the expected cashflows are higher (lower) by 10% -by approx. SR 2.7 million if the /discount rates are lower (higher) by 1%
Other investment funds*	27,706	Discounted cashflows	-Discount rate at market terms (31 Dec 2023:5.49% 31 Dec 2022:4.32%)	The estimated fair value would increase (decrease) by approx. SR 4.3 million if the discount rates are lower (higher) by 1%.

* These include the investment of Company in Yaqeen SAR Murabaha Fund and Yaqeen Murabaha Financing Fund.

20.1 There have been no transfers between Level 1, Level 2 and Level 3 during the year.

20.2 The following table shows the reconciliation from opening balance to closing balance for the fair value for level 3 fair value.

	31 December 2023	31 December 2022
Balance at the beginning of the year	**2,257**	2,133
Purchases during the year	**61,135**	-
Sold during the year	**(18,500)**	-
Net Changes in investment at FVPTL		
Unrealized fair value gain for the year	**4,313**	124
Balance at the end of the year	**49,205**	2,257

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Effective risk management is of primary importance to the Company. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, 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 balance sheet include cash and bank balances, margin lending and murabaha financing, other assets, investments at FVTPL – current, investments at FVTPL non-current, accounts payable and accruals, due to a related party (Short-term murabaha financing) and short-term financing. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(Amount in Saudi Riyals thousands unless otherwise stated)

Financial assets and financial 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.

21.1 Market risk

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

a) Commission rate risk

Commission rate risk is the impact on future earnings of the Company resulting from increase in the market interest/ commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The most important source of such risk is the Company's short term Islamic financing payable. Since short term Islamic financing payables has a short term nature the increase or decrease in market interest / commission rates is not significant. and therefore, there is no significant commission rate risk as at balance sheet date. The Company margin lending and Murabaha financing and other financial liabilities are at fixed rates and are carried in the financial statements at amortized cost, hence there is no commission rate risk as at balance sheet date.

Commission rate risk	**Within 3 Months**	**3-12 Months**	**Over 1 year**	**Non-commission bearing**	**Total**
31 December 2023					
Cash and bank balances	-	-	-	**103,468**	**103,468**
Margin lending and murabaha financing	-	**39,174**	-	**47,262**	**86,436**
Margin deposits with Muqassa	-	-	-	**22,461**	**22,461**
Accounts receivables	-	-	-	**29,800**	**29,800**
Other assets	-	-	-	**2,017**	**2,017**
Investments at FVTPL – current	-	-	-	**30,403**	**30,403**
Investments at FVTPL – non-current	-	-	-	**33,934**	**33,934**
Total financial assets	-	**39,174**	-	**269,345**	**308,519**
Accounts payable and accruals	-	-	-	**17,637**	**17,637**
Short term financing	-	-	-	-	-
Total financial liabilities	-	-	-	**17,637**	**17,637**

Commission rate risk	Within 3 Months	3-12 months	Over 1 Year	Non-commission bearing	Total
31 December 2022					
Cash and bank balances	-	-	-	37,211	37,211
Margin lending and murabaha financing	-	38,988	-	36,760	75,748
Margin deposits with Muqassa	-	-	-	45,236	45,236
Accounts receivables	-	-	-	36,113	36,113
Other assets	-	-	-	2,781	2,781
Investments at FVTPL – current	-	-	-	10,382	10,382
Investments at FVTPL – non-current	-	-	-	5,850	5,850
Total financial assets	-	38,988	-	174,333	213,321
Accounts payable and accruals	-	-	-	19,037	19,037
Short term financing	-	50,000	-	-	50,000
Total financial liabilities	-	50,000	-	19,037	69,037

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Currency risk

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

21.2 Credit risk

The Company is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Margin lending and murabaha financing
- Due from related parties
- Cash at bank
- Other assets
- Margin deposit with Muqassa

Credit risk is the risk that the Company will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. Credit risk arises from cash and cash equivalents as well as credit exposures to other assets, balances due from related parties, Margin lending, murabaha financing and Margin deposit with Muqassa.

Exposure

Cash and cash equivalents are deposited with the Bank, which has sound credit ratings. Margin deposit with Muqassa is deposited with Muqassa which is a regulatory related entity. The receivables relate to Margin lending and murabaha financing portfolios and have adequate coverage ratios. The portfolios are closely monitored, and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Company's exposure is sufficiently collateralized. Other assets mainly comprise of fees receivables and receivables relate to investment banking group. The fees receivables mainly relate to amounts due from the counterparties on quarterly basis and are settled within a short period of time. The receivables related to the investment banking group are closely monitored by the Company and specific controls are being applied in accordance with the Company policies and procedures. The carrying amount of financial assets represents their maximum credit exposure. Allowance for expected credit losses on financial assets recognized in the statement of financial position for 31 December 2023 amounted to SR 1.16 million.

Revenues are settled mainly in cash for commission income therefore the related credit risk is minimal. For other receivables, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are then assigned.

For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted. Therefore, the ECL on cash and cash equivalents is immaterial.

The Company has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at 31 December 2023 amounted to nil (31 December 2022: nil). The cash at banks as at 31 December 2023 is SR 103.4 million (31 December 2022: SR 37.2 million). For banks and financial institutions, only independently rated parties with a minimum rating of A2 are accepted.

(Amount in Saudi Riyals thousands unless otherwise stated)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The credit ratings of banks in which the Company holds cash as at 31 December are as follows:

	31 December 2023	31 December 2022
Moody's Credit rating		
A2	**103,425**	37,168

Accounts receivables are shown net of allowance for expected credit losses. The Company applies the IFRS 9 simplified approach for measuring expected credit losses on accounts receivables. To measure the expected credit losses, accounts receivables are grouped based on shared credit risk characteristics and the days past due. The ECL on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, days past due, expected recovery, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate, and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Due from related parties amounting to SR 738 thousand are expected to be settled within the next 12 months. Related party receivables are callable overnight if payment is required earlier. Given the short life of the receivable and the fact they are with intercompany entities with no history of default, the related party balance considered to have low credit risk, therefore ECL is expected to be negligible on these receivables.

ECL for receivables against margin lending and murabaha financing is SR 1.16 million (2022:1.7 million), the Company holds equity instruments of customers as collateral against margin lending and murabaha receivables which are carried at amortized cost. The Company uses those collaterals as part of the loss given default "LGD" calculation. The value of collateral is regularly monitored by the Company to ensure that it is sufficient to cover the exposure of margin lending and murabaha financing receivables. As part of the ongoing monitoring of margin lending and murabaha financing receivables, the Company has stop loss measure in case if its value falls by 25% of the original value of the portfolio, then the Company liquidate the investment up to the amount lent.

There are no significant concentrations of credit risk, whether through exposure to individual customers and specific industry sectors. The nature of businesses of the Company does not expose it to credit concentration risk.

Management analyses credit risk in the following categories:

Credit quality analysis

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

31 December 2023	**Investment grade**	**Non-investment grade**	**Unrated**	**Total**
Financial assets				
Cash and bank balances	**103,468**	**-**	**-**	**103,468**
Margin deposits with Muqassa	**22,461**	**-**	**-**	**22,461**
Margin lending and murabaha financing	**-**	**-**	**86,436**	**86,436**
Other assets	**-**	**-**	**2,017**	**2,017**
Accounts receivables	**-**	**-**	**29,800**	**29,800**
Total	**125,929**	**-**	**118,253**	**244,182**

(Amount in Saudi Riyals thousands unless otherwise stated)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

31 December 2022	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and bank balances	37,211	-	-	37,211
Margin deposit with Muqassa	45,263	-	-	45,263
Margin lending and murabaha financing	-	-	75,748	75,748
Accounts receivables	-	-	36,113	36,113
Other assets	-	-	38,894	38,894
Total	84,474	-	150,755	233,229

The credit quality of the above financial assets is based on external credit rating agencies. For unrated financial assets the credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience.

The credit risk exposure for receivable against margin lending and murabaha financing by geographic region is as follows:

	31 December 2023	31 December 2022
Saudi Arabia	**85,269**	75,748

The credit risk exposure for receivables against margin lending and murabaha financing by type of customer representing only retail clients as at 31 December 2023 and 2022.

21.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial obligation. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Below are the amounts expected to be recovered or settled no more than 12 months and those more than 12 months after the reporting date.

	31 December 2023	31 December 2022
ASSETS		
Less than twelve months		
Cash and bank balances	**103,468**	37,211
Margin deposit with Muqassa	**22,461**	45,263
Margin lending and murabaha financing	**86,436**	75,748
Investments at fair value through profit or loss (FVTPL)	**30,403**	10,382
Investment classified as held for sale	**-**	42,227
Accounts receivables	**29,800**	36,113
Due from related parties	**2,011**	738
Other assets	**2,017**	2,781
	276,596	250,463
More than twelve months		
Investments at fair value through profit or loss (FVTPL)	**33,934**	5,850
	33,934	5,850

(Amount in Saudi Riyals thousands unless otherwise stated)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	31 December 2023	31 December 2022
LIABILITIES		
Less than twelve months		
Accounts payable and accruals	**17,637**	19,037
Short term Islamic financing payable.	**-**	50,000
Current portion of lease liability	**2,062**	-
Provision for zakat	**16,516**	12,586
	36,215	81,623
More than twelve months		
Employee end of service benefits	**15,844**	15,462
Lease liability	**9,203**	-
	25,047	15,462

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The amounts disclosed in the table are the contractual undiscounted cash flows which are equivalent to their respective carrying amount, as the impact of discounting is immaterial.

21.4 Operational Risk

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

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Company's resources by protecting its assets and minimizing the potential for financial loss.

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

21.5 Equity price risk

The Company's listed equity investments are susceptible to price risk, arising from uncertainties about fair values of investments. The Company manages equity price risk through diversification, setting limits on investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the stock and bond market movements are monitored including analysis of the operational and financial performance of investees. The exposure to investment and its impact on equity is detailed in the table below with a % change in equity prices.

Markets	**31 December 2023**	**Sensitivity**	
Investments at FVTPL		**Profit**	**Percentage**
Saudi Arabia	30,403	+/-304	+/- 1%
Investment classified as held for sale			
Saudi Arabia			

Markets	31 December 2022	Sensitivity	
Investments at FVTPL		Profit	Percentage
Saudi Arabia	10,382	+/-104	+/- 1%

22. COMMITMENT AND CONTINGENCIES

The Company has no commitment and contingencies as at 31 December 2023 (31 December 2022: Nil).

23. CAPITAL RISK MANAGEMENT

The CMA has issued Prudential Rules (the "Rules") dated 17 Safar 1434H (corresponding to 30 December 2012) amended by resolution of the Board of the Capital Market Authority Number 1-129-2022 Dated 04 Jumada II 1444H (Corresponding to 28 December 2022). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required. Current year figures are presented based on amended regulations issued by CMA effective from April 1, 2023, and applied prospectively. The prior year's figures are not restated but are presented based on previous Rules and guidance. Capital adequacy ratio are as follows:

	31 December 2023 SAR'000	31 December 2022 SAR'000
Capital base:		
Tier 1 Capital	**258,801**	222,292
Tier 2 Capital	**-**	-
Total capital base	**258,801**	222,292
Risk Weighted Asset:		
Credit risk	**308,709**	79,284
Operational risk	**335,428**	20,679
Market risk	**60,815**	1,662
Total Risk Weighted Asset	**704,952**	101,625
Total capital ratio	**36.71%**	2.19
Surplus in capital	**202,405**	120,667

Capital Base of the Company comprises of:

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves as per Article 5 of amended Rules / Article 4 of the Rules.
- Tier-2 capital consists of capital instruments as per Article 6 of amended Rules / Article 4 of the Rules.

The Minimum Capital Requirements for Market, Credit & Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.

The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 8% of the minimum capital required in amended Rules and shall not be less than 1 time in previous Rules.

(Amount in Saudi Riyals thousands unless otherwise stated)

The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

24. SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and services and has four reportable segments, as follows:

- **Brokerage:** Providing services through trading channels and margin trading to customers.
- **Investment Banking Group (IBG)**: Providing advisory and IPO services to the customers.
- **Asset management:** Manage and establish mutual funds and portfolios.
- **Investments:** Investing activities of the Company in financial and non-financial assets

The executive management is the Chief Operating Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial information.

The segment wise breakup is as follows:

	Brokerage	IBG	Asset management	Investments	Total
For the year ended 31 December 2023					
Revenues from contracts with customer*					
Commission on brokerage services	9,044	-	-	-	9,044
Management and subscription fee from mutual funds	-	-	13,369	-	13,369
Advisory services income	-	30,853	-	-	30,853
Other income streams					
Gain on investments at fair value through profit or loss, net	-	-	-	18,537	18,537
Other income	-	-	-	32,414	32,414
Income on Murabaha financing	-	-	-	5,405	5,405
Total Revenues	9,044	30,853	13,369	56,356	109,622
Total Expenses	(5,188)	(16,194)	(6,105)	(43,910)	(71,397)
Segment Net Income after zakat	3,856	14,659	7,264	12,446	38,225
As At 31 December 2023					
Assets	86,437	8,504	16,202	208,920	320,063
Liabilities	2,712	1,034	867	56,649	61,262

*In relation to revenue from contract with customers the revenue from Commission on brokerage services is recognized at point in time while the revenue from management and subscription fees and advisory service income are recognized over the period or point in time depending upon contractual arrangement against each customer.
** The primary geographical market for the Company's product and services is Kingdom of Saudi Arabia.

(Amount in Saudi Riyals thousands unless otherwise stated)

24. SEGMENT INFORMATION (CONTINUED)

	Brokerage	IBG	Asset management	Investments	Total
For the year ended 31 December 2022					
Revenues from contracts with customer*					
Commission on brokerage services	15,255	-	-	-	15,255
Management and subscription fee from mutual funds	-	-	18,648	-	18,648
Advisory services income	-	31,560	-	-	31,560
Other income streams					
Gain / (loss) on investments at fair value through profit or loss, net	-	-	-	-	-
Other income	-	-	-	2,300	2,300
Total Revenues	15,255	31,560	18,648	2,300	67,763
Expenses	(18,832)	(9,866)	(6,694)	(29,100)	(64,492)
Segment Net Income / (loss) after zakat	(3,577)	21,694	11,954	(26,800)	3,271
As At 31 December 2022					
Assets	66,782	9,753	15,714	257,934	350,183
Liabilities	3,092	1,644	946	121,634	127,046

25. EARNING PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

	As at 31 December 2023	As at 31 December 2022
Income for the year	**38,225**	3,818
Weighted average number of ordinary shares	**15,000**	15,000
Basic and diluted	**2.55**	0.25

26.1 ASSETS UNDER MANAGEMENT

These represent the public and private funds' assets, discretionary portfolio and non-discretionary portfolios’ assets managed by the Company on behalf of its customers amounted to Saudi Riyals SR 1.4 billion as at 31 December 2023 (31 December 2022: Saudi Riyals 1.8 billion).

26.2 CLINET CASH MONEY ACCOUTS

The Company manages clients' cash accounts for brokerage activities, which amounted to Saudi Riyals 172 million as at 31 December 2023 (31 December 2022: Saudi Riyals 280 million)

27. SUBSEQUENT EVENTS

Except for events mentioned in paragraph (ii) of note 1, no events have occurred subsequent to reporting date and before the issuance of these financial statement which requires adjustment to, or disclosure, in the financial statements.

28. COMPARATIVE FIGURES

Following the audit of the financial statements, management has presented accounts receivable account separately from other assets to conform with IAS 1 presentation requirements. The Following table summary the impact of the presentation made in comparatives year:

Financial Statement Caption	As previously stated	Adjustment of accounts receivables	Restated
Other Assets	38,894	(36,113)	2,781
Accounts receivables	-	36,113	36,113

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 28 March 2024.