ALKHABEER CAPITAL
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 December 2022

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company)

Opinion
We have audited the financial statements of Alkhabeer Capital (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA, 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 are responsible for overseeing the Company's financial reporting process.

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

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INDEPENDENT AUDITOR'S REPORT To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company) (continued)

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

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

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

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

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

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

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

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.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Jeddah: 27 March 2023G
05 Ramadhan 1444H

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	***2022*** ***SR '000***	*2021* *SR '000*
ASSETS			
CURRENT ASSETS			
Cash at banks		**26,823**	50,774
Murabaha placements	5	**3,619**	116,381
Accounts receivable, prepayments and other receivables	6	**6,439**	14,125
Due from related parties	7	**218,546**	158,120
Investments at fair value through profit or loss	8	**300,128**	305,344
TOTAL CURRENT ASSETS		**555,555**	644,744
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	8	**1,139,145**	956,321
Murabaha placements	5	**100**	40,100
Right of use assets	9	**4,660**	5,436
Investment property	28	**147,538**	147,538
Property and equipment	10	**46,479**	48,231
TOTAL NON-CURRENT ASSETS		**1,337,922**	1,197,626
TOTAL ASSETS		**1,893,477**	1,842,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payables, accrued and other liabilities	11	**251,021**	184,820
Murabaha contracts	12	**231,368**	190,397
Sharia compliant financing	13	**13,696**	18,750
Lease liability	9	**787**	651
TOTAL CURRENT LIABILITIES		**496,872**	394,618
NON-CURRENT LIABILITIES			
Murabaha contracts	12	**109,900**	440,100
Sharia compliant financing	13	**223,704**	-
Employees' terminal benefits	14	**20,184**	19,443
Lease liability	9	**4,550**	5,338
TOTAL NON-CURRENT LIABILITIES		**358,338**	464,881
TOTAL LIABILITIES		**855,210**	859,499
SHAREHOLDERS' EQUITY			
Share capital	17	**894,523**	894,523
Statutory reserve	18	**50,073**	40,934
Retained earnings		**93,893**	48,241
Actuarial losses, net	14	**(222)**	(827)
TOTAL SHAREHOLDERS' EQUITY		**1,038,267**	982,871
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,893,477**	1,842,370

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

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	***2022*** ***SR '000***	*2021* *SR '000*
INCOME			
Income from investments at fair value through profit or loss, net	8	**169,314**	182,287
Fee income	19	**86,585**	49,355
Dividend income		**762**	-
Income from Murabaha placements		**5,395**	5,936
TOTAL OPERATING INCOME		**262,056**	237,578
OPERATING EXPENSES			
Selling and marketing	20	**(9,646)**	(6,184)
General and administrative	21	**(117,988)**	(112,946)
TOTAL OPERATING EXPENSES		**(127,634)**	(119,130)
NET OPERATING INCOME		**134,422**	118,448
Murabaha and financing expenses	22	**(40,112)**	(38,119)
Finance cost on leased liabilities	9	**(249)**	(280)
Other income		**1,350**	1,350
PROFIT BEFORE ZAKAT AND TAX		**95,411**	81,399
Zakat and income tax	15	**(4,020)**	(8,128)
PROFIT FOR THE YEAR		**91,391**	73,271
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the profit or loss			
Gain on re-measurement of employees' terminal benefits	14	**605**	116
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**91,996**	73,387
BASIC AND DILUTED EARNINGS PER SHARE			
Weighted number of shares (in thousands)	17	**89,452**	89,452
Attributable to profit after zakat and income tax (in SR)	29	**1.02**	0.82

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

	Share capital SR '000	*Statutory reserve SR '000*	*Retained earnings / (Accumulated Losses) SR '000*	*Actuarial (loss)/gain, net SR '000*	*Total SR '000*
Balance at 1 January 2021	894,523	35,574	(19,670)	(943)	909,484
Profit for the year	-	-	73,271	-	73,271
Other comprehensive income (note 14)	-	-	-	116	116
Total comprehensive income	-	-	73,271	116	73,387
Transfer to statutory reserve (note 18)	-	5,360	(5,360)	-	-
Balance at 31 December 2021	894,523	40,934	48,241	(827)	982,871
Profit for the year	**-**	**-**	**91,391**	**-**	**91,391**
Other comprehensive income (note 14)	**-**	**-**	**-**	**605**	**605**
Total comprehensive income	**-**	**-**	**91,391**	**605**	**91,996**
Transfer to statutory reserve (note 18)	**-**	**9,139**	**(9,139)**	**-**	**-**
Dividend declared (note 16)	**-**	**-**	**(36,600)**	**-**	**(36,600)**
Balance at 31 December 2022	**894,523**	**50,073**	**93,893**	**(222)**	**1,038,267**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	*2022* *SR '000*	*2021* *SR '000*
OPERATING ACTIVITIES			
Profit before zakat and tax		**95,411**	81,399
Adjustments for:			
Income from investments at fair value through profit or loss, net	8	**(169,314)**	(182,287)
Depreciation	21	**3,312**	3,257
Depreciation of right of use assets	21	**776**	776
Provision for employees' terminal benefits	14	**2,992**	2,970
Finance cost on leased liabilities	9	**249**	280
Operating loss before changes in operating assets and liabilities		**(66,574)**	(93,605)
Changes in operating assets and liabilities			
Accounts receivable, prepayments and other receivables, net	6	**7,685**	13,935
Due from related parties	7	**(60,426)**	(18,422)
Accounts payable, accrued and other liabilities	11	**(25,768)**	(186,159)
Purchase of investments at FVTPL	8	**(247,139)**	(257,685)
Proceeds from disposal of investments at FVTPL	8	**322,995**	456,650
Cash used in operations		**(69,227)**	(85,286)
Employees' terminal benefits paid	14	**(1,646)**	(1,474)
Finance cost paid	9	**(249)**	(280)
Zakat and income tax paid	15	**(2,295)**	(1,861)
Net cash used in operating activities		**(73,417)**	(88,901)
INVESTING ACTIVITIES			
Purchase of property and equipment	10	**(1,560)**	(2,962)
Murabaha placements issued	7	**(77,250)**	(23,500)
Proceeds from murabaha placements	7	**230,012**	137,693
Net cash from investing activities		**151,202**	111,231
FINANCING ACTIVITIES			
Murabaha contracts issued		**341,000**	802,100
Murabaha contracts repaid		**(630,229)**	(810,161)
Sharia compliant financing paid	13	**(18,750)**	(62,388)
Sharia compliant financing received	13	**237,400**	-
Payment of principal portion of lease liabilities	9	**(652)**	(620)
Dividend paid	16	**(30,505)**	-
Net cash used in financing activities		**(101,736)**	(71,069)
Net decrease in cash and cash equivalents		**(23,951)**	(48,739)
Cash and cash equivalents at the beginning of the year		**50,774**	99,513
Cash and cash equivalents at the end of the year		**26,823**	50,774

NON-CASH SUPPLEMENTARY INFORMATION			
Payable against investment purchased during the year	11	**84,150**	36,028
Investee equity reduced by placement of Murabaha	5	**-**	38,300
Gain on re-measurement of employees' terminal benefits	14	**605**	116

1. ORGANIZATION AND ACTIVITIES

AlKhabeer Capital ("AKC", or "the Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445 dated 14 Rabi Awal 1429H (corresponding to 22 March 2008). The Commercial Registration of the Company was amended on 14 Shawal 1430H (corresponding to 5 October 2009) by virtue of which the name of the Company was amended from AlKhabeer Merchant Finance Corporation to AlKhabeer Capital.

The Company is engaged in the following activities in accordance with the Capital Market Authority's Resolution no. H/T/919 dated 3 Rabi a' Thani 1429H (corresponding to 9 April 2008) and License No. 07074-37:

a) Arranging
b) Managing
c) Advising
d) Custody
e) Underwriting; and
f) Dealing as principal

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

AlKhabeer Capital
Al-Madina Road, P.O. Box 128289
Jeddah
Saudi Arabia

As at 31 December 2022, the Company operates through a branch with commercial registration 1010439273 registered in Riyadh (31 December 2021: same). The accompanying financial statements include the assets, liabilities and results of this branch.

2. BASIS OF PREPARATION

2.1 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Company has multiple unrelated investors and holds multiple investments in various funds and companies managed by the Company (hereinafter referred as 'investee entities'). Ownership interests of the Company in investee entities are in the form of equity/ownership stake. The Company has been deemed to meet the definition of an investment entity as per IFRS 10 "Consolidated Financial Statements" as the following conditions exist;

a) The Company has obtained funds for purpose of providing investors with professional investment management services;
b) The Company's business purpose is investing for capital appreciation and investment income; and
c) The investments are measured and evaluated on a fair value basis.

Since the Company meets the definition of an investment entity as per the guidance given in IFRS 10 "Consolidated Financial Statements" (note 3), it is exempted from consolidating the investee entities and from the application of IFRS 3 "Business Combinations" when it obtains control of another entity. Such unconsolidated investee entities are, instead, measured and classified by the Company as 'financial asset at fair value through profit or loss' in accordance with IFRS 9 "Financial Instruments".

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for investments measured at fair value through profit or loss and valuation of end of service benefits which are calculated using "Projected Unit Credit Method".

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency of the Company. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods. Actual results may differ from these estimates.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most relevant effect on the amounts recognised in the financial statements.

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

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these 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.

Fair value estimation of investments at fair value through profit or loss
Management uses a standard and consistent valuation technique to ascertain the fair values. In all cases, management uses the reported net asset values (NAV) of the investee entities as their fair valuation. However, the NAV of the investee entities are assessed based on the fair values estimates using various techniques as deemed necessary including but not limited to discounted cash flows, comparable transactions, earning multiples, recent sales transactions, etc. If necessary, adjustments to the NAV are made to obtain the best estimate of fair value. In addition to the NAV, the valuation is based on management's best estimate considering recent purchase or sale transactions, available financial information or other suitable indicators of the fair value.

Impairment charge for expected credit losses of financial assets
The Company uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions as well as the available security. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in note 23.

Impairment of non-financial assets
The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Actuarial valuation of employees' end of service benefits
The cost of the employees' end of service benefit plan under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that 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 and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Provisions
Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Investment entity
An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's objective by investing the investee entities remain to be earning fee and capital appreciation. All investments are reported at fair values. The Company has a clearly documented exit strategy for all of its investments. The Company meets the definition the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of units, shares and similar securities; it has more than one investor and its investors are not related parties. Management has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any, if these criteria or characteristics change.

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Generally, the Company enters into lease contracts which include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Leases – Estimating the incremental borrowing rate
The Company cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of profit that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

2. BASIS OF PREPARATION (continued)

2.5 Impact of new standards, interpretations and amendments adopted by the Company

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.
The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Company.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 *Leases*

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first- time adopter.

2 BASIS OF PREPARATION (continued)

2.5 Impact of new standards, interpretations and amendments adopted by the Company (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 2.5, in the preparation of these financial statements.

3.1 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised as other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

3.2 Current versus non-current classification

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

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

All other assets are classified as non-current.

Liabilities
A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.3 Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date.

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 economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.4 Impairment of financial and non-financial assets

Financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company also take into account the underlying securities as well as its rights to claim. In all cases, the Company has a priority claim as asset manager over the cash flows generated by the respective investee entity. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when payments are not made as per contractual terms which may vary from obligor to obligor. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets
The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise balances with banks, cash on hand, and short term Murabaha placements, with original maturities of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances, cash and short-term Murabaha placements as defined above.

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
The Company's financial assets consist of cash and bank balances, Murabaha placements, accounts receivable, investments at fair value through profit or loss due from related parties and financial liabilities consist of Murabaha contracts, Sharia compliant financing and accounts and other payables. Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes Cash at banks and Accounts receivable, prepayments and other receivables.

b) Financial assets at fair value through OCI

Debt instruments
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

i) Financial assets (continued)

b) Financial assets at fair value through OCI (continued)

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Equity instruments
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

c) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Financial assets classified as fair value through profit or loss comprise investments in a short term discretionary portfolio and the investee entities, are acquired principally for the purpose of selling or repurchasing in the short term.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the of the respective investee entity, which is reflective of the fair value of these securities.

Business model assessment

The Company makes an assessment of the objective of a business model under which an asset is held, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for financial assets and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the financial assets are evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realized.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

i) Financial assets (continued)

Business model assessment (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 realised 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. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic placement risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financing, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable, other liabilities, Shariah compliant financing and murabaha contract.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Amortised cost
After initial recognition, long term payables are subsequently measured at amortised cost using the EPR method. Gains and losses as a result of unwinding of profit cost through EPR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

iii) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.7 Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, in accordance with the requirements of Capital Market Authority (CMA) Regulations, the company policy is to measure investment properties using the cost model.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement for profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.8 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements/assets are depreciated on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repairs and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Gains or losses on sale or retirement of property and equipment are included in the statement of profit or loss.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Building	25
Leasehold improvements	4 and 11
Office and computer equipment	3-4
Furniture and fixtures	4
Vehicles	5

3.9 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, and accordingly, are not included in the statement of financial position. Details of these assets are disclosed in note 25 of the financial statements.

3.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Employees' benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net profit expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net profit expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

3.13 Revenue recognition

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Company when those inflows result in increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at fair value of consideration received or receivable. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Company, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Company applies a five-step model to determine when to recognize revenue and at what amount.

- Step:1 Identify the contract with the customer
- Step:2 Identify the performance obligations in the contract
- Step:3 Determine the transaction price
- Step:4 Allocate the transaction price to the performance obligations in the contract
- Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Accordingly, the Company recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

- Fixed fees received under financial services agreements are non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestones have been met or the agreement is terminated.
- Success fees are recognized when the related financing has been successfully raised for the client.
- Management and custody fees are recognized on a time apportioned basis.
- Finance income on Murabaha placements is recognised on a time apportioned basis.
- Dividend income is recognised when the right to receive payment is established.

3.14 Expenses

Selling and distribution expenses are those that specifically relate to marketing expenditure. All other expenses are classified as general and administration expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Zakat and income tax

Zakat
The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat, Tax and Customs Authority ("ZATCA") and is charged to the statements of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Zakat and income tax (continued)

Withholding tax
The Company companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.16 Dividend distributions

The Company recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognized in statement of changes in shareholders' equity.

3.17 Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of reporting of the Company's financial statements are disclosed below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

4.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

4.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company will assess the impact of the amendments will have on current practice and whether existing loan agreements may require renegotiation.

4.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not applicable to the Company.

4.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have an impact on the financial statements of the Company.

4.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

4.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have an impact on the financial statements of the Company.

4.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Company.

4.7 IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have an impact on the financial statements of the Company.

4.8 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Company.

4.9 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

4.10 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have an impact on the financial statements of the Company.

4.11 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are not expected to have an impact on the financial statements of the Company.

5. MURABAHA PLACEMENTS

	31 December 2022 SR '000	*31 December 2021 SR '000*
Murabaha placement	**3,719**	156,481
Less: included in current assets	**(3,619)**	(116,381)
Long-term	**100**	40,100

Murabaha placements are primarily with investee entities, carry profit rate of 4.25% to 6.25% per annum (31 December 2021: 4.50% to 6.25% per annum) and are subject to 0.25% per annum (31 December 2021: 0.25% per annum) management fee.

6. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022 **SR'000**	*31 December 2021* SR'000
Advance against investment	**-**	6,145
Prepayments	**2,162**	1,709
Advances to suppliers	**1,789**	1,147
Accounts receivable, net of provision	**517**	-
Margin deposit (note a)	**380**	3,850
Other receivables	**1,591**	1,274
	6,439	14,125

a) The Company has maintained a margin deposit of SR 0.38 million (31 December 2021: SR 3.85 million) with a local bank in respect of a guarantees issued in favour of ZATCA (note 15).

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent directors and key management personnel of the Company, investee entities, controlled or significantly influences by the Company or by such parties. The pricing and terms are approved by the management of the Company.

a) Significant related party transaction during the year and balances arising from investee entities are described below:

Nature of transactions	***Amount of transactions for the year ended***		***Balances as at***	
	31 December 2022 SR'000	*31 December 2021 SR'000*	***31 December 2022 SR'000***	*31 December 2021 SR'000*
Transaction with investee entities				
Investments at fair value through profit or loss			**1,439,145**	1,261,321
Investments acquired during the year by the Company (note 8)	**331,224**	293,373		
Investment disposed during the year by the Company (note 8)	**(322,764)**	(494,950)		
Gain/ (loss) recorded on investments at fair value through profit or loss, net	**169,314**	182,283		
Due from related parties (investee entities)				
Advances and expenses incurred on behalf of investee entities	**49,878**	21,832	**59,213**	30,941
Management, custody, subscription fees and structure fee	**85,827**	49,210	**159,333**	127,178
			218,546	158,120
Murabaha placement during the year and their balances with the investee entities	**74,250**	61,800		
Murabaha placements matured during the year with the investee entities	**(223,950)**	(137,693)	**100**	149,800
Settlement against investment in the units of the entity	**-**	-	**-**	6,145

7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) The Company being the Asset Manager, incurs expenses on behalf of the investee entities in the normal course of business.

c) The Company has issued a corporate guarantee on behalf of a related party (note 26).

d) Key management personnel including members of the Board of Directors of the Company and key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	For the year ended 31 December 2022	*For the year ended 31 December 2021*
	SR '000	*SR '000*
Salaries and other short-term expenses	**17,457**	17,625
Post-employment benefits	**1,205**	1,147
	18,662	18,772

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company meets the definition of an "investment entity". Accordingly, its investments in investee entities are carried at their fair value through profit or loss as "investments at fair value through profit or loss".

The movement in the investments at fair value through profit or loss for the year ended 31 December is as follows:

	For the year ended 31 December 2022	*For the year ended 31 December 2021*
	SR '000	*SR '000*
Opening balance	**1,261,665**	**1,280,615**
Purchased during the year	**331,289**	**293,713**
Capital distribution	**-**	**(69,250)**
Sold during the year	**(322,995)**	**(425,700)**
Fair value gains	**169,314**	**182,287**
	1,439,273	**1,261,665**
Less: included in the current assets	**(300,128)**	**(305,344)**
Long term	**1,139,145**	**956,321**

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

a) The details of the Company's holding in the investee entities are as follows:

Name of Investee Entities	***31 December 2022 %***	*31 December 2021 %*
Real Estate		
Alkhabeer Real Estate Opportunity Fund I – Investing in Land Development in Western Province, Kingdom of Saudi Arabia (KSA)	**38%**	38%
Alkhabeer Real Estate Opportunity Fund II - Investing in Land Development in Western Province, KSA	**100%**	100%
Alkhabeer Hospitality Fund I - Investing in Land Development in Western Province, KSA	**75%**	75%
Alkhabeer Real Estate Residential Development Fund II - Investing in Land Development in Western Province, KSA	**8%**	8%
Alkhabeer US Real Estate Income Fund I - Investing in real estate properties in United States of America (USA)	**-**	11%
Alkhabeer GCC Opportunity Company - Investing in income generating properties in Eastern Province, KSA	**0.05%**	0.05%
Private Equity		
Industrial sector		
Alkhabeer Industrial Private Equity Company – III Ltd - Investing in Manufacturing facilities in United Arab Emirates (UAE)	**40%**	40%
AlKhabeer Saudi Private Equity Fund 1 - Investing in medical sector in Central Province, KSA	**100%**	100%
AlKhabeer Saudi Private Equity Fund 2 - Investing in medical sector in Western Province, KSA	**12.3%**	100%
AlKhabeer Industrial Private Equity Fund IV - Investing in manufacturing facilities in Eastern Province, KSA	**20%**	32%
Alkhabeer Healthcare Private Equity Fund I - Investing in medical sector in Western Province, KSA	**-**	9%
Alkhabeer Car Rental Private Equity Fund - Investing in car rental sector in KSA	**92%**	-
Education Sector (see note 'c' below)		
Alkhabeer Education Private Equity Fund I - Investing in Schools in Central Province, KSA	**0.10%**	0.10%
Alkhabeer Education Private Equity Fund II - Investing in Schools in KSA and UAE	**84%**	84%
Alkhabeer Education Private Equity Fund III - Investing in Schools in Central Province, KSA	**83%**	83%
Alkhabeer Education Private Equity Fund IV - Investing in Schools in Western Province, KSA	**98%**	98%
Alkhabeer Education Private Equity Fund V - Investing in Schools in Central Province, KSA	**0.06%**	0.06%
Alkhabeer Education Private Equity Fund VI - Investing in Schools in Central Province, KSA	**100%**	100%
Alkhabeer Education Private Equity Fund VII - Investing in Schools in Western and Central Province, KSA	**11.63%**	13%

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

b) Breakdown of investments by sector is as follows:

	31 December 2022 SR '000	31 December 2021 SR '000
Investment in:		
Real Estate	**281,626**	286,063
Private Equity	**1,157,519**	975,258
Others	**128**	344
	1,439,273	1,261,665

c) During financial year 2021, all of investee entities operating in the education sector, as disclosed above, agreed to transfer at their respective fair values, the underlying educational assets (i.e. the 'Schools') operating in Kingdom of Saudi Arabia, to one of the investee entity through a structure, representing their ownership interest in the Net Asset Value of the underlying combined entity.

9. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Opening asset balance	**5,436**	6,212
Less: depreciation for the year	**(776)**	(776)
As at 31 December	**4,660**	5,436

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Opening lease liability	**5,989**	6,609
Payment of principal portion of lease liabilities during the year	**(652)**	(620)
Closing lease liability	**5,337**	5,989
Included in current liabilities	**(787)**	(651)
Long term portion of lease liability	**4,550**	5,338

The following are the amounts recognized in profit or loss:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Depreciation expense of right-of-use assets	**776**	776
Finance cost on leased liabilities	**249**	280
Total amount recognized in profit or loss	**1,025**	1,056

10. PROPERTY AND EQUIPMENT

	Land	*Building*	*Leasehold improvements*	*Office and computer equipment*	*Furniture and fixtures*	*Vehicles*	*Capital work in progress (Note a)*	*31 December 2022*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost								
At the beginning of the year	**6,966**	**43,070**	**10,961**	**20,531**	**2,107**	**396**	**1,668**	**85,699**
Additions	**-**	**-**	**-**	**314**	**116**	**-**	**1,130**	**1,560**
Transfer	**-**	**499**	**-**	**262**	**-**	**-**	**(761)**	**-**
At the end of the year	**6,966**	**43,569**	**10,961**	**21,107**	**2,223**	**396**	**2,037**	**87,259**
Accumulated depreciation								
At the beginning of the year	**-**	**10,830**	**5,342**	**19,463**	**1,443**	**390**	**-**	**37,468**
Depreciation (note 21)	**-**	**1,630**	**807**	**645**	**224**	**6**	**-**	**3,312**
At the end of the year	**-**	**12,460**	**6,149**	**20,108**	**1,667**	**396**	**-**	**40,780**
Net book amounts								
At 31 December 2022	**6,966**	**31,109**	**4,812**	**999**	**556**	**-**	**2,037**	**46,479**

a) Capital work in progress relates to contractor payments for construction and renovation work on the building owned by the Company. During the year, upon completion of the related work, the respective amount has been transferred to Building category of Property and Equipment.

10. PROPERTY AND EQUIPMENT (continued)

	Land	*Building*	*Leasehold improvements*	*Office and computer equipment*	*Furniture and fixtures*	*Vehicles*	*Capital work in progress*	*31 December 2021*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*
Cost								
At the beginning of the year	6,966	38,395	10,961	19,990	1,981	396	4,048	82,737
Additions	-	-	-	541	126	-	2,295	2,962
Transfer	-	4,675	-	-	-	-	(4,675)	-
At the end of the year	6,966	43,070	10,961	20,531	2,107	396	1,668	85,699
Accumulated depreciation								
At the beginning of the year	-	9,395	4,535	18,644	1,254	383	-	34,211
Depreciation (note 21)	-	1,435	807	819	189	7		3,257
At the end of the year	-	10,830	5,342	19,463	1,443	390	-	37,468
Net book amounts								
At 31 December 2021	6,966	32,240	5,619	1,068	664	6	1,668	48,231

11. ACCOUNT PAYABLES, ACCRUED AND OTHER LIABILITIES

	31 December 2022 SR '000	*31 December 2021 SR '000*
Payable against investment purchased (see note below)	**86,245**	39,226
Accounts payable	**13,329**	13,608
Remuneration payable to employees	**30,854**	24,463
Accrued expenses	**30,877**	41,950
Other provisions	**68,000**	57,000
Zakat and income tax (note 15)	**9,853**	8,128
Dividend payable	**6,095**	-
Other payables	**5,768**	445
	251,021	184,820

The amount represents the outstanding payable against purchase of investments in the investee entities (see note 8). The Company expect to settle the payable amount in 2023.

12. MURABAHA CONTRACTS

This represent commodity Murabaha contracts executed with investors through Discretionary Portfolio Managers (DPMs). The murabaha contracts are unsecured, carry profit rate ranging from 4% to 7.50% per annum (31 December 2021: 4% to 6.50% per annum) and are subject to nil to 0.5% per annum (31 December 2021: nil to 0.5% per annum) management fee.

	31 December 2022 SR '000	*31 December 2021 SR '000*
Murabaha contracts	**341,268**	630,497
Less: included in current liabilities	**(231,368)**	(190,397)
Long-term	**109,900**	440,100

13. SHARIA COMPLIANT FINANCING

a) During the year, the Company settled sharia compliant financing from a local bank amounting to SR 18.8 million.

b) During the year, the Company obtained a sharia compliant financing from a local bank amounting to SR 237.4 million. The facility is repayable over a period of around seven years starting from December 2022. The financing carry agreed profit margin and is secured against “investments property” (see note 28) and certain “investments at fair value through profit or loss” and all returns generated from respective investments.

	31 December 2022 SR '000	*31 December 2021 SR '000*
Sharia compliant financing	**237,400**	18,750
Less: included in current liabilities	**(13,696)**	(18,750)
Long-term included in non-current liabilities	**223,704**	-

14. EMPLOYEES' TERMINAL BENEFITS

Changes in the present value of defined benefit obligation are as follows:

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Balance at the beginning of the year	**19,443**	18,063
Current service cost	**2,451**	2,505
Profit	**541**	465
Benefits paid	**(1,646)**	(1,474)
Actuarial (gain)/ loss, net	**(605)**	(116)
Balance at the end of the year	**20,184**	19,443

Principal assumptions used in determining employee terminal benefits are as shown below:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Discount rate	**4.50%**	2.77%
Salary increase	**2.75%**	2.00%
Staff withdrawal rate	**8.00%**	8.00%

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee terminal benefits by the amounts shown below:

	Increase/(decrease)	
	31 December 2022 SR'000	*31 December 2021 SR'000*
Discount rate		
+1% increase	**(19,011)**	(18,226)
-1% decrease	**21,679**	21,003
Future salary growth		
+1% increase	**21,691**	21,000
-1% decrease	**(18,979)**	(19,528)

Significant actuarial assumptions for the determination of the employee terminal benefits are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

15. ZAKAT AND INCOME TAX

Provision for zakat and income tax as at the statement of financial position date is as follows:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Zakat charge for the year	**4,020**	7,932
Income tax	**-**	196
	4,020	8,128

15. ZAKAT AND INCOME TAX (continued)

Zakat provision was estimated as follows:

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Equity	**947,098**	931,959
Other adjustments	**18,877**	104,312
Book value of long term assets	**(1,479,872)**	(1,454,130)
	(513,897)	(417,859)
Saudi Shareholders' share of adjusted income for the year (see note below)	**100,798**	83,261
Adjusted zakat base	**(413,099)**	(334,598)

Zakat calculated on the adjusted income for the year being higher than the adjusted zakat base.

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with relevant fiscal regulations.

Movement in provision during the year

The movement in zakat provision for the year was as follows:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Balance at the beginning of the year	**7,932**	1,700
Charge for the current year	**4,020**	7,932
Paid during the year	**(2,099)**	(1,700)
Balance at the end of the year (see note 11)	**9,853**	7,932

Income tax

Income tax charges are based on the adjusted taxable income calculated on the portion of equity owned by the foreign shareholder. The significant tax adjustments made to accounting net income relate to depreciation, employees' termination benefits and provision against doubtful receivables. Management believe that impact of deferred tax, if any, is not material to the financial statements.

Movement in provision during the year

The movement in income tax provision for the year was as follows:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Balance at the beginning of the year	**196**	161
Charge for the year	**-**	196
Paid during the year	**(196)**	(161)
Balance at the end of the year (see note 11)	**-**	196

15. ZAKAT AND INCOME TAX (continued)

Status of assessments

ZATCA raised an assessment with an additional liability amounting to SR 9.36 million for the year ended 31 December 2010. The Company filed an objection against the ZATCA assessment.

The ZATCA has issued an assessment for the year ended 31 December 2017 and raised an additional tax and Zakat liability amounting to SR 35.8 million. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment. The Company also registered the case with General Secretariat of Tax Committees (GSTC) and provided comments on the ZATCA's response. The GSTC rejected Company's objection. Company has decided to escalate its objection to the Appeal Committee during the financial year 2023.

The ZATCA has issued an assessment for the year ended 31 December 2015 and raised an additional tax and Zakat liability amounting to SR 28.2 million. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment. The Company registered the case with GSTC and provided comments on the ZATCA's response. The GSTC accepted Company's objection on withholding tax items and applied the delay fine of 1% and rejected the other items. Company has escalated its objection to the Appeal Committee during the current year.

During the year ended 31 December 2021, ZATCA has issued an assessment for the year ended 31 December 2016 and 2018 and raised an additional tax and Zakat liability amounting to SR 28.8 and SR 38.6 million, respectively. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment and waiting for reply. During the year, ZATCA rejected Company's objection and hence, the objection was escalated to the GSTC.

If investments are disallowed as a deduction from the Zakat base for the years 2015 to 2018, it would result in potential Zakat liability to the Company which remains an industry wide unsolved issue and as of now, in view of the fact that zakat Regulations in Saudi Arabia are subject to different interpretations, it is not possible to assess any potential zakat impact reliably.

The Company's management is expecting a favourable decision regarding the above appeals. The Company has filed its tax and zakat returns for all the years ended 31 December 2021 and obtained restricted Zakat certificate valid until 30 April 2023.

16. DIVIDEND

During the year, the Shareholders of the Company in their Annual General meeting held on 25 April 2022 approved final cash dividend of 4.09% of paid up capital amounting to SR 36.6 million for the year ended 31 December 2021 (2021: Nil).

17. SHARE CAPITAL

The share capital of the Company, amounting to SR 894,523,230 is divided into 89,452,322 shares of SR 10 each (31 December 2021: 89,452,322 shares of SR 10 each).

The Company is owned 100% by Saudi shareholders and GCC shareholders (31 December 2021: 98.43% by Saudi shareholders, GCC shareholders and 1.57% by non-Saudi shareholders).

18. STATUTORY RESERVE

In accordance with the Regulations for Companies' Law in Kingdom of Saudi Arabia and the By-Laws of the Company, the Company must set aside 10% of its net income (after adjusting the accumulated losses) until it has built up a reserve equal to 30% of the capital. This reserve is not available for distribution.

19. FEE INCOME

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Management, custody and subscription fees	**86,299**	49,210
Structure fee	**286**	-
Advisory fees	**-**	145
	86,585	49,355

20. SELLING AND MARKETING EXPENSES

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Salaries and benefits	**4,169**	3,974
Other	**5,477**	2,210
	9,646	6,184

21. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Employees' salaries and related expenses	**74,085**	65,808
Due diligence, legal and professional fees	**22,434**	25,880
Information technology expense, software and licenses	**4,906**	5,563
Depreciation (note 10)	**3,312**	3,257
Board of director's expenses	**2,757**	2,466
Lead manager and receiving fees	**2,534**	1,929
Business travel expense	**2,090**	1,319
Maintenance, hospitality and cleaning	**1,646**	1,768
Depreciation on right of use assets (note 9)	**776**	776
Utilities	**596**	518
Other	**2,852**	3,662
	117,988	112,946

22. MURABAHA AND FINANCING EXPENSES

	For the year ended 31 December 2022 SR '000	*For the year ended 31 December 2021 SR '000*
Finance cost on Murabaha Contracts	**35,616**	34,972
Finance cost and amortisation of upfront fee on Shariah Compliant financing	**4,496**	3,147
	40,112	38,119

23. RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposure relating to his or her responsibilities. These limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept. The Company is exposed to market risk, credit risk and liquidity risk.

Market risk
Market risk is the risk that the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in market prices, rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company's market risk comprises of three types of risks: Profit rate risk, currency risk and equity price risk.

Profit rate risk
Profit rate risk arises from the effects of fluctuations in the prevailing levels of markets profit rates on the fair value of financial assets and liabilities as well as reported income/losses due to changes in future cash flow. The Company is exposed to profit rate cash flow risk arising from the variable rate Shariah compliant borrowings that expose the Company to cash flow profit rate risk. The sensitivity of the Company's profit before tax to a reasonably possible change in profit rates by 100 basis points on shariah compliant financing is SR 2.37 million (2021: SR 0.18 million). The Company's manages its rate risk on a dynamic basis keeping in view overall rate bearing assets and liabilities and the Company requirements.

The Company's Murabaha placements are of long and short term nature carrying fixed rate. As of the statement of financial position date, a change of 1% in the applicable profit rates for Murabaha placements would result in SR 0.04 million (2021: SR 1.56 million) lower/higher fair value gain/loss.

The Company's Murabaha contracts are of long term nature carrying fixed rate. However, certain Murabaha contracts, though carry fixed rate, were of short term nature and had a history of frequent rollover and could expose the Company to cash flow rate risk. As of the statement of financial position date, a change of 1% in the applicable profit rates would result in SR 3.41 million (2021: SR 6.30 million) lower/higher profit for the year.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company invests in various special purpose entities and other investments that are denominated in currencies other than the Saudi Riyal which are pegged to the Saudi Riyal accordingly the Company is not exposed to significant foreign exchange risk.

Equity price risk
Equity price risk is the risk of unfavourable changes in the fair values of equity as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company is not exposed in equity price risk as none of the investment are quoted.

23. RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The Company is exposed to credit risk on its bank balances, Murabaha placements, accounts receivable and due from related parties.

An allowance for expected credit losses is maintained which in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the bank balance. Therefore, the probability of default based on forward looking factors and any loss given default are considered negligible.

Murabaha placement are unsecured and receivable from related parties. As of the reporting date, there are no past due.

Due from related parties are unsecured, yield free and have no fixed repayment. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired.

In calculating the expected credit loss allowance for accounts receivable and due from related parties, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

The Company's maximum undiscounted exposure to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

	31 December 2022		31 December 2021	
Financial assets	**Exposure at default**	**Expected credit loss**	Exposure at default	Expected credit loss
	SR'000	***SR'000***	*SR'000*	*SR'000*
Murabaha placements (note 5)	**3,719**	**-**	156,481	-
Due from related parties (note below)	**218,546**	**-**	158,120	-
Accounts and other receivables	**1,597**	**1,080**	7,225	1,080

At the reporting date, the ageing of financial assets is as follows:

	31 December 2022					
	Current	***< 1 Year***	***1-2 Years***	***2-3 Years***	***> 3 Years***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Murabaha placements (note 5)	**3,719**	**-**	**-**	**-**	**-**	**3,719**
Due from related parties (note below)	**62,594**	**32,141**	**42,189**	**22,402**	**59,220**	**218,546**
Accounts and other receivables	**517**	**-**	**-**	**-**	**1,080**	**1,597**

	31 December 2021					
	Current	*< 1 Year*	*1-2 Years*	*2-3 Years*	*> 3 Years*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Murabaha placements (note 5)	156,481	-	-	-	-	156,481
Due from related parties (note below)	40,800	22,113	31,420	27,222	36,565	158,120
Accounts and other receivables	6,145	-	-	-	1,080	7,225

23. RISK MANAGEMENT (continued)

Credit risk **(continued)**

In its capacity as asset manager, the Company has first right to recover the balance due from investee entities under management in respect of outstanding fees and subsequently Murabaha placements. As at the date of financial statements, underlying entities have positive net assets value and management estimated that expected credit losses, if any, would not be material.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities or redeem its shares earlier than expected.

The efficient management of liquidity risk begins with the development of written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting.

The Company’s financial liabilities are payable within 12 months from the statement of financial position date except certain long-term murabaha contracts and lease liabilities which have maturity of more than 12 months from the statement of financial position date.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm’s length transaction.

The Company’s financial assets consist of cash and cash equivalents, accounts receivable, Murabaha placements, investments at fair value through profit or loss, due from related parties and financial liabilities consist of accounts payable, shariah compliant financing and Murabaha contracts.

The fair values of investments in investee entities is obtained from net asset values of those entities or recent sales transactions. In real estate entities, the fair value of underlying real estate investments is based on the valuation provided by independent valuers.

As at the date of statement of financial position, all financial assets and financial liabilities falls under level 3 of fair value hierarchy. The fair values of financial instruments are not materially different from their carrying values (31 December 2021: same). During the year, there was no movement between fair value hierarchy levels.

25. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Company holds assets on behalf of its customers. As the Company acts in a fiduciary capacity, these assets are not included in the statement of financial position. As at 31 December 2021, the Company holds assets under management amounting to SR 6,644 million (31 December 2021: SR 5,815 million) on behalf of, and for the beneficial interest of, its customers.

Legal title of the underlying assets of the Company’s investee entities are held by the custodian through certain special purpose vehicles. Since, the Company has ownership interest in these special purpose vehicles as trustee, the financial information and related share of results of these entities are not included in these financial statements. In the ordinary course of business, the Company also holds certain banks accounts on behalf of the investee entities.

26. CONTINGENCIES AND CAPITAL COMMITMENTS

a) Certain legal claims have been filed by third parties against the Company in the normal course of business. Based on the legal advice from the independent legal advisor, the Company's management expects a favourable outcome of these claims and no provision is required to be made in these financial statements unless already recorded.

b) The Company has maintained a margin deposit of SR 0.38 million (31 December 2021: SR 3.85 million) with a local bank in respect of a guarantee issued in favour of ZATCA.

c) The Board of Directors has authorised future capital expenditure, amounting to SR 4.5 million (31 December 2021: SR 4.2 million) in connection with leasehold improvements and construction under progress.

d) The Company issued a corporate guarantee on behalf of a related party in 2019, and it has an outstanding amount of SR 93.2 million (31 December 2021: SR 110.7 million). The related party simultaneously issued a back-to-back corporate guarantee to the Company. This amount is settled and reduced on semi-annual basis and is due for expiration by the respective related party on 6 February 2025.

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended 31 December 2013, Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base, which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

The details of the minimum capital requirement and capital base are as follows:

	31 December 2022 SR '000	*31 December 2021 SR '000*
Capital base		
Tier-1 capital	**1,038,267**	982,871
Tier-2 capital	**-**	-
Total capital base	**1,038,267**	982,871
Minimum capital requirement		
Credit risk	**823,075**	791,911
Market risk	**179**	214
Operational risk	**35,286**	29,783
Total minimum capital required	**858,540**	821,908
Capital Adequacy Ratio		
Total capital ratio (time)	**1.21**	1.20
Surplus in capital	**179,727**	160,963

28. INVESTMENT PROPERTY

Investment property comprised of land and cost improvement amounting to SR 147.5 million (2021: Same).

In previous years, the Company received property as a result of distribution of the assets by an investee entity. The property is carried at cost of SR 147,538 thousand. The fair value of the property valued on 31 December 2022 was SR 149,112 thousand (31 December 2021: SR 149,000 thousand). The property is registered in the name of "Alfuras Almustadama Real Estate Company" which has provided an undertaking that property is held by it on behalf of the Company.

The fair value of the Company's investment properties has been arrived on the basis of the valuation exercise carried out by management's independent external consultant namely "Abaad for Real Estate Valuations" (2021: "Valustrat Consulting"), who holds recognised relevant professional qualification and have recent experience in the location of the property owned by the Company and is accredited by Taqeem (Saudi Authority for Accredited Valuers). The valuation methodology conforms to International Valuation Standards. The fair value of the land was determined based on the market comparable approach that reflects recent transaction or market prices for similar properties. Furthermore, the cost improvement represents the actual cost incurred on the site.

Under the comparable market approach, the Valuation Experts obtained land prices in the neighbouring districts and adjusted them for difference in specification of the Company's properties. Such values are based on significant unobservable inputs and the fair value measurement was classified as Level 3.

At the reporting date, the investments property amounting to SR 149.1 million (2021: SR 28.1 million) is pledged against Sharia Compliant borrowings (note 13).

As at the reporting date, a 5% change in fair value of the comparable would have increase/decrease the fair value of the investment property by SR 5 million (2021: SR 4.7 million).

29. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue outstanding during the year (note 17).

The diluted EPS is same as the basic EPS as the Company does not have any dilutive instruments in issue.

30. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the current year presentation. However, there was no impact of such reclassifications on the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows of the Company.

31. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 6 March 2023 (corresponding to 14 Shaban 1444).