Alkhabeer Capital
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ANNUAL REPORT 2022 ALKHABEER CAPITAL

الخبير المالية
Alkhabeer Capital

20/22

ANNUAL REPORT 2022

King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques

HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince and Prime Minister

Alkhabeer Capital الخبير المالية

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CORPORATE OVERVIEW

Alkhabeer Capital is a prominent Saudi company specialized in asset management and investments services, providing a suite of innovative investment products and solutions with a sustained value to institutions, family offices and individual investors. Alkhabeer Capital's Shariah-compliant operations are characterized by their effectiveness and deep understanding of client needs and the overall risk climate.

The company aspires to become the partner of choice for shariah-compliant investment products and services, with a far-reaching approach aimed at creating partnerships with clients to identify and capitalize on investment opportunities and has successfully advanced those partnerships by investing its own capital to generate added value to its shareholders and clients, with the support of a team of high caliber experts.

Alkhabeer capitalizes on its proven track record to reap the benefits of investment opportunities arising from economic and regulatory developments. The company›s investments are diversified by sector and geography across the Kingdom of Saudi Arabia, the wider GCC region and global markets, including the United States and Europe.

Alkhabeer›s Asset Management division provides varied investment opportunities in private equity, capital markets and real estate, accessible through the private and public offering of investment funds.

The Company's private equity investments target multiple sectors, including defensive sectors such as education, healthcare, leasing and manufacturing. Alkhabeer's Private Equity Department strengthens the Company's position as a trusted partner for family offices in Saudi Arabia and other GCC countries. Alkhabeer Capital also provides access to capital market opportunities through its private investment portfolio management services, traded investment funds and income funds, as well as local and global equity funds. The Company also provides independent administration and custody services for investment funds.

The Real estate investment Department focuses on the acquisition of income generating real estate assets in major cities across the Kingdom of Saudi Arabia, capitalizing on income generating investment opportunities, subject to due diligence and thorough evaluation of investment rationale.

Alkhabeer's Brokerage department offers state-of-the-art technologies and best-in-class trading tools to cater to client requirements in local markets through the primary market, the parallel market, the bonds, sukuk and derivatives market, as well as in global markets, including equity markets, traded investment funds markets, international derivatives markets, and foreign exchange (Forex) markets.

Alkhabeer Capital is headquartered in Jeddah, with a branch in Riyadh, Saudi Arabia. It is regulated by the Saudi Capital Market Authority (CMA), License No. 07074-37. It provides dealing, investment management, fund operation, arranging, advising, and custody of securities.

Headquartered in Jeddah, with a branch in Riyadh, Kingdom of Saudi Arabia, Alkhabeer Capital is regulated by the Capital Market Authority (CMA), License No. 07074-37. It provides dealing, investment management, fund operation, arranging, advising, and custody of securities.

18 Years of Success

38 Launched Funds

16 Exited Funds

91 Experts

2 Branches

45 Awards

OUR VISION

To shape our industry by offering innovative investment solutions that will accelerate the financial well-being of all stakeholders.

OUR VALUES

- **Integrity.** Take pride in upholding the highest ethical standards and placing the interests of our clients first.
- **Thought Leadership.** Anticipate changing needs of our stakeholders and creatively explore solutions to meet those needs.
- **Passionate Ownership.** Empower people to embrace responsibility and own our commitments to share-holders and clients.
- **Teamwork.** Encourage teamwork and collaboration to maximize the potential of our team.
- **Citizenship.** Assume responsibility and commitment towards communities in which we work.

HISTORY OF ACHIEVEMENTS

Alkhabeer Capital continues expending constant effort to develop its business and build an outstanding track record by providing effective investment solutions to fulfill the aspirations of its investors and clients in many sectors.

2022

Alkhabeer Capital Brokerage Services Launched

- Alkhabeer Capital signs an agreement with Wamid as part of its preparations to launch Alkhabeer Brokerage Platform
- Listed Alkhabeer Growth and Income Traded Fund on the Saudi Stock Exchange
- Listed AME Company for Medical Supplies Limited on the Parallel Market (NOMU), to become the first listed company owned by a private equity fund managed by Alkhabeer Capital.

2021

First Closed-Ended Traded Fund Listed

- Listed Alkhabeer Diversified Income Traded Fund
- Offered additional Units in Alkhabeer REIT

2020

Establishment of the Brokerage Department

- Launched a traded income fund, the first of its kind in the Kingdom.
- Established the Brokerage Department in the Company.
- Exited from a real estate fund.

2019

Income-Generating Funds

- Launched a public Waqf fund and exited from 4 funds.
- Won first place as the Best Workplace within the financial services sector.

2018

Real Estate Traded Funds

- Launched the first real estate investment traded fund "Alkhabeer REIT", with total assets exceeding one billion SAR.
- Won the first place as Best Workplace within the financial sector.
- Won two awards: "Best Private Equity Investment Company and Best Asset Manager".

2017

Investing in Hospitality Sector

- Coinciding with the launch of the Saudi Vision 2030, we continued to focus on implementing our strategy targeting investment opportunities in the hospitality sector.
- Exited a private equity fund that invests in the industrial sector.

2016

Income Generating Real Estate Assets

- Launched the first real estate investment income-generating fund and launched the first fund in the Hospitality sector.
- Exited a real estate fund.
- Won two awards: "Best Workplace in Saudi Arabia" and "Best Workplace in Asia"

2015

Investing in Education Sector

- Launched the first private equity fund that invests in the education sector.
- Exited real estate investment fund.
- Won first place for Best Workplace within the financial sector.

2014

Investing in Health Sector

- Launched the first private equity fund that invests in the health sector.
- Launched the first real estate investment fund in the United States.
- First exit from a fund.

2013

Portfolio Management

- Began providing portfolio management service to the Company's clients by the Capital Markets Department.
- Won the "Best Employers in the Middle East" award.

2012

The First Private Equity Fund

- Launched the first private equity investment funds (industrial), and the first real estate investment fund in London - United Kingdom.
- Won the "Best Company for Islamic Portfolio Management" award.

2011

Entered the Capital Markets

- Launched two funds to invest in the capital markets, namely, the Alkhabeer GCC Equity Fund and the Alkhabeer Global Commodity Fund.

2010

First Real Estate Fund

- Entered the real estate investment field by launching 4 real estate investment funds in the Kingdom of Saudi Arabia.

2008

First Real Estate Fund

- The Company obtained a license from the Capital Market Authority to deal in securities as an underwriter, managing, arranging, advising and custodian services. Its name was changed to Alkhabeer Capital.

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AWARDS

AWARDS

Alkhabeer Capital’s continued successes asserted its dominance as a leader in investment management and human resources development, winning the recognition of major regional and international organizations in the financial industry. The speaks volumes of Alkhabeer Capital’s role and prominence in the Saudi market, and demonstrates the dedication, creativity, and innovation of its staff.

2022 AWARDS

- Alkhabeer Capital’s CEO selected among Forbes Middle East’s “30 Best Asset Managers 2022”.
- Alkhabeer Waqf Fund I won “Best Waqf Fund Award” in 2022 for Best Investment Return in 3 Years by Sanadeq Investment Awards.
- Alkhabeer Growth and Income Traded Fund won “Best Innovative Investment Fund Award” in 2022 by Sanadeq Investment Awards.
- First Best Workplace in the Financial Sector in the Kingdom of Saudi Arabia in 2022 by Great Place to Work® Middle East.
- Fourth Best Workplace for Saudi Nationals Kingdom-wide in 2022 by Great Place to Work® Middle East.
- Third Best Workplace for Millennials in the Financial Sector GCC-wide in 2022 by Great Place to Work® Middle East.
- Sixth Best Workplace in the Middle East in 2022 by Great Place to Work® Middle East.

Alkhabeer Capital’s CEO selected among the “30 Best Asset Managers 2022” by Forbes Middle East

Best Waqf Fund Award in Terms of The Investment Return in 3 Years Category in 2022 for Alkhabeer Waqf Fund I

Best Innovative Investment Fund Award in the Saudi Capital Market in 2022 for Alkhabeer Growth and Income Traded Fund

First Best Workplace in the Financial Sector in the Kingdom of Saudi Arabia in 2022 by Great Place to Work® Middle East

Fourth Best Workplace for Saudi Nationals in 2022 by Great Place to Work® Middle East

Third Best Workplace for Millennials in the Financial Sector GCC-wide in 2022 by Great Place to Work® Middle East

Sixth Best Workplace in the Middle East in 2022 by Great Place to Work® Middle East.

Best Endowment Investment Fund Award in Terms of The Total Return for The Endowment Investment Funds Category For 2021

Alkhabeer Capital’s CEO selected among the “30 Best Asset Managers 2021” by Forbes Middle East

Best REIT Fund

Best New Income Traded Fund Saudi Arabia in 2021

Best Islamic Investment Management Company in 2021

Best Islamic Investment Management Company in Saudi Arabia in 2021

Best Islamic REIT Fund Manager in 2021

Best Workplace in the Financial Sector in the Kingdom and 14th place in all sectors in Saudi Arabia in 2021

The Best Workplace for Nationals within the Financial Sector in Saudi Arabia, and the 14th place GCC-wide in 2021

Second Best Workplace for women within the Financial Sector and sixth place in all sectors by Great Place to Work® in GCC

Second Best Workplace for Millennials within the Financial Sector and eighth place in all sectors GCC-wide by Great Place to Work® in GCC

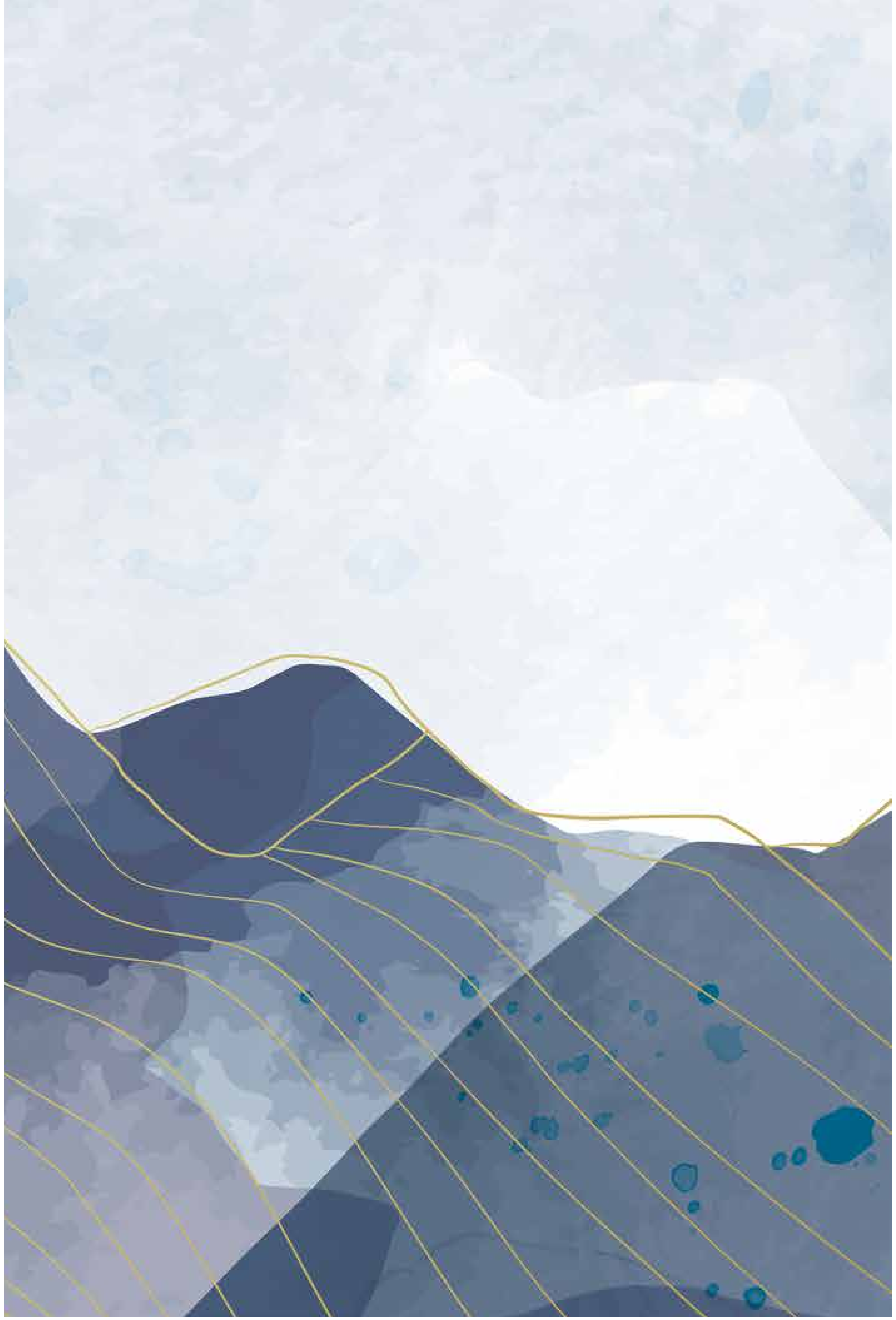
Second Best Medium Size Workplace in the Middle East and Seventh Best Workplace in all sectors in 2021

Second Best Medium Size Workplace in the Financial Sector in Asia and 49th place in all sectors in 2021

Second Best Innovative Investment Fund on the Saudi Stock Exchange in 2020

Best Private Equity Firm in the Region and Best Investment Management Firm in Saudi Arabia by MEA Finance in 2020

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

Earnings

(SAR '000)	2022	Change %	2021	2020	2019	2018
Total Operating Income	**262,056**	10%	237,578	200,550	25,075	188,213
Operating Expenses	**(127,634)**	7%	(119,130)	(103,106)	(102,226)	(98,814)
Murabaha and Financing Expenses	**(40,112)**	5%	(38,119)	(40,532)	(42,182)	(33,892)
Net Income before Zakat and Income Tax	**95,411**	17%	81,399	63,490	(123,854)	56,860
Net Income	**91,391**	25%	73,271	61,629	(123,857)	55,265

Financial Position

(SAR '000)	2022	Change %	2021	2020	2019	2018
Shareholder's Equity	**1,038,267**	6%	982,871	909,484	848,882	985,427
Total Assets	**1,893,477**	3%	1,842,370	1,982,536	1,735,880	1,927,555
Investments	**1,586,811**	13%	1,409,203	1,428,153	1,338,360	1,527,900
Total Liabilities	**855,210**	(0.5%)	859,499	1,073,052	886,998	942,128
Assets Under Management	**8,083,517**	14%	7,076,747	5,469,925	4,206,149	5,597,631

Profitability

	2022	Change %	2021	2020	2019	2018p
Net Income Margin	**36.4%**	6%	34.3%	31.7%	(493.9%)	30.2%
Return on Average Assets	**5.1%**	20%	4.3%	3.4%	(6.8%)	3.1%
Operating Expenses-to-Income ratio	**49%**	(3%)	50%	52%	408%	53%
Earnings per Share (SAR)	**1.02**	25%	0.82	0.69	(1.43)	0.68

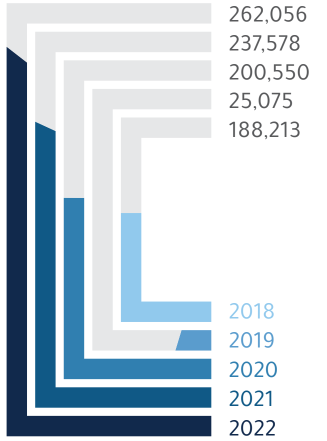
The percentage change %

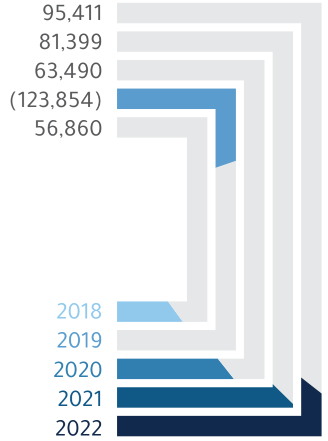
TOTAL REVENUES

262

SAR million

Total Revenue increased in 2022 by 10% YoY to SAR 262 million.





NET INCOME BEFORE ZAKAT AND INCOME TAX*

95

SAR million

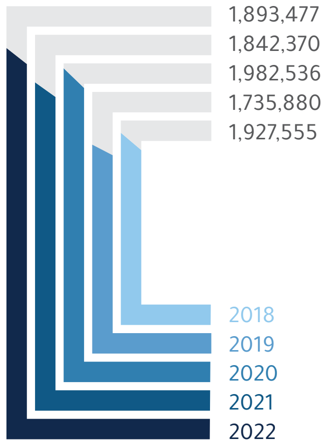
Net Earnings before Zakat and Income Tax increased by 17% to SAR 95.4 million.

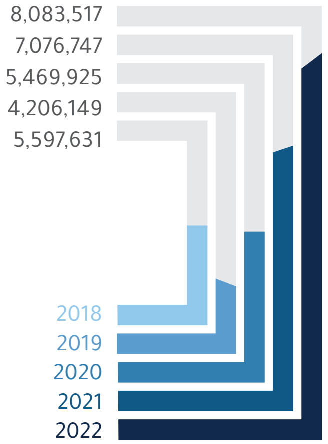
TOTAL ASSETS

1.89

SAR billion

Total Assets reached SAR 1.89 billion as of 31 December 2022, up 3% YoY.





ASSETS UNDER MANAGEMENT

8.08

SAR billion

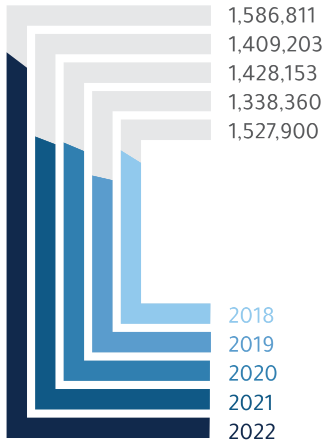
Total Assets Under Management reached SAR 8.08 billion as of 31 December 2022, up 14% YoY.

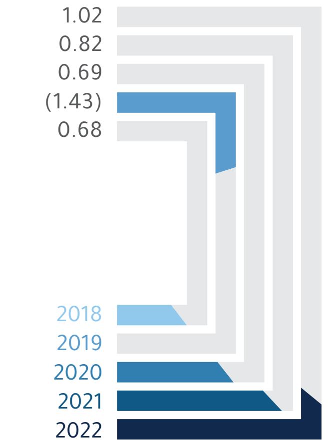
INVESTMENTS

1.59

SAR billion

Investment rose in 2022 by 13% YoY to SAR 1.58 billion.





EARNINGS PER SHARE

1.02

SAR

Earnings per Share increased in 2022 by 25% compared to 2021 to reach SAR 1.02.

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INVESTMENT PORTFOLIO

INVESTMENT PORTFOLIO

CURRENT INVESTMENTS

	PRODUCT NAME**	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	AUM SIZE*
REAL ESTATE						
1.	Alkhabeer Real Estate Opportunity Fund I	■	7-Dec-14	Saudi Arabia	2023	527.19
2.	Alkhabeer Real Estate Residential Development Fund II	■	31-Dec-14	Saudi Arabia	2023	72.56
3.	Alkhabeer Hospitality Fund I	■	22-Dec-16	Saudi Arabia	2023	93.88
4.	Alkhabeer GCC Opportunity company	■	27-Dec-17	Saudi Arabia	2023	503.66
5.	Alkhabeer Real Estate Opportunity Fund II	■	28-Dec-17	Saudi Arabia	2023	26.01
6.	Alkhabeer REIT Fund	□	16-Dec-18	Saudi Arabia	NA	1,996.76

	PRODUCT NAME**	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	PRODUCT SIZE*
PRODUCT NAME**						
1	Alkhabeer Education Private Equity Fund I	■	31-Dec-15	Saudi Arabia	2023	153.88
2	Alkhabeer Industrial Private Equity Company III	■	26-Dec-17	GCC	2023	395.74
3	Alkhabeer Education Private Equity Fund II	■	30-Dec-18	GCC	2023	208.90
4	Alkhabeer Education Private Equity Fund III	■	31-Dec-18	GCC	2023	177.49
5	Alkhabeer Education Private Equity Fund IV	■	31-Dec-18	GCC	2024	162.98
6	Alkhabeer Education Private Equity Fund 5	■	15-Oct-20	GCC	2025	190.17
7	Alkhabeer Education Private Equity Fund 6	■	28-Dec-20	GCC	2025	254.57
8	Alkhabeer Education Private Equity Fund 7	■	27-Dec-20	GCC	2025	148.21
9	Alkhabeer Industrial Private Equity Fund 4	■	14-Nov-21	GCC	2026	201.60
10	Alkhabeer Saudi Private Equity Fund 1	■	29-Dec-21	Saudi Arabia	2026	339.19
11	Alkhabeer Saudi Private Equity Fund 2	■	01-Dec-21	Saudi Arabia	2026	14.39
12	Alkhabeer Car Rental Private Equity Fund	■	21-Dec-22	Saudi Arabia	2027	401.00

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY	TARGETED EXIT YEAR	PRODUCT SIZE*
CAPITAL MARKET						
1	Alkhabeer Waqf Fund I	▨	14-Jan-20	Saudi Arabia	NA	7.19
2	Alkhabeer Diversified Income Traded Fund	□	07-Jan-21	International	NA	521.40
3	Alkhabeer Private Multi Asset Income Fund I	■	05-Dec-21	International	NA	385.01
4	Alkhabeer Growth & Income Traded Fund	□	27-Apr-22	International	NA	949.46

■ Private Funds ▨ Public Funds - Open-Ended - Open-Ended □ Public Funds - Close-Ended

* (SAR millions as of 31 Dec 2022, unless otherwise stated)

TOTAL DISTRIBUTIONS (SAR MILLIONS)

EXITED INVESTMENTS

	PRODUCT NAME**	TYPE	INCEPTION DATE	GEOGRAPHY	EXIT DATE	TOTAL DISTRIBUTION (SAR MILLIONS)	RETURN ON INVESTMENT
REAL ESTATE							
1	Alkhabeer Land Development Fund I	■	01-Jul-10	Saudi Arabia	10-Mar-14	306.5	85.10%
2	Alkhabeer Real Estate Fund I	■	1-Nov-10	Saudi Arabia	19-Oct-15	121.2	40.54%
3	Alkhabeer Real Estate Fund II	■	1-Nov-10	Saudi Arabia	30-May-16	165.6	65.65%
4	Alkhabeer Central London Residential Fund I	■	19-Nov-12	UK	19-Nov-18	101.8	***
5	Alkhabeer Saudi Real Estate Income Fund I	■	8-Dec-16	Saudi Arabia	20-Mar-19	40.40	-2.27%
6	Alkhabeer Land Development Fund II	■	7-Dec-11	Saudi Arabia	31-Jul-19	164.80	44.66%
7	Alkhabeer Residential Real Estate Development Fund I (MASAKEN I)	■	29-Dec-12	Saudi Arabia	29-Dec-20	71.40	***
8	Alkhabeer US Real Estate Income Fund	■	2-Jul-14	US	30-Jun-22	77.45	***

	PRODUCT NAME**	TYPE	INCEPTION DATE	GEOGRAPHY	EXIT DATE	TOTAL DISTRIBUTION (SAR MILLIONS)	RETURN ON INVESTMENT
REAL ESTATE							
1	Alkhabeer Industrial Private Equity Fund II	■	29-Dec-13	UAE	24-Dec-17	201.1	54.72%
2	Alkhabeer Industrial Private Equity Fund I	■	31-Dec-12	UAE	31-Dec-19	140.51	8.08%
3	Alkhabeer SME Fund I	■	28-Dec-14	Saudi Arabia	31-Dec-19	2.39	***
4	Alkhabeer Healthcare Private Equity Fund I	■	31-Dec-14	Saudi Arabia	10-Jan-22	10.65	***

	PRODUCT NAME	TYPE	INCEPTION DATE	GEOGRAPHY
CAPITAL MARKETS				
1	Alkhabeer GCC Equity Fund	▨	03 Jul 2011	GCC
2	Alkhabeer Liquidity Fund "Hasseen"	▨	12 Feb 2012	GCC
3	Alkhabeer Liquidity Fund "Hasseen"	▨	01 Jul 2013	Saudi Arabia
4	Alkhabeer IPO Fund	▨	03 Dec 2015	GCC, MENA

■ Private Funds ▨ Public Funds - Open-Ended □ Public Funds - Close-Ended

** These are Closed-Ended investment products which are established and offered by way of private placement, in compliance with the implemented regulations issued by the CMA.

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BOARD OF DIRECTORS REPORT SUMMARY

BOARD OF DIRECTORS REPORT SUMMARY

Esteemed Shareholders,

On behalf of the Board of Directors of your Company, Alkhabeer Capital, I am pleased to present to you Alkhabeer Capital's Annual Report 2022.

Saudi Arabia's economy was one of the world's fastest growing economy in 2022, due to the rise in oil prices, the domestic production power recovery following the COVID-19 pandemic induced global recession in 2020, and the sweeping well-balanced pro-business reforms in the Kingdom.

In August 2022, the Kingdom witnessed an increase in the annualized inflation rate which rose to 3%, as compared to August 2021. Transport rates also increased by 4.7% due to higher automobile prices, and education tuitions rose by 5.7% mainly due to a 10.1% increase in the cost of secondary education.

The Saudi gross domestic product expanded by 7.6% in 2022, the fastest growth in a decade, as reported by the Saudi General Authority for Statistics (GASTAT), with economic activity in many sectors, and mainly in the industrial sector. The Ministry of Industry and Mineral Resources issuing a number of licenses in many industrial segments, including nonmetallic minerals, rubber and plastics. In addition, the Saudi Ministry of Investment issued a statement on developments in the non-oil sector, mainly in advanced manufacturing, construction and real estate.

FINANCIAL PERFORMANCE

Your Company, Alkhabeer Capital, performed well in 2022, thanks to the efforts expended throughout the year by its management team. Operating revenues grew in 2022 by 10%, YoY to SAR 262.1 million, while Assets Under Management expanded by 14%, YoY to SAR 8.084 billion. Net Earnings before Zakat and Income Tax also rose by 17%, YoY to SAR 95.4 million.

Alkhabeer Capital's investments increased in 2022 by 13%, YoY to SAR 1.59 billion, while Shareholders' Equity grew by 6%, YoY to SAR 1.04 billion and Earnings per Share rose by 25%, YoY to SAR 1.02 per share as of the end of 2022.

RESULTS OF OPERATIONS

The launch of Alkhabeer Capital's new three-year strategy (2022-2024) reflected favorably on the Company's performance with achievements realized in its various lines of business.

Alkhabeer Capital's Private Equity Department launched Alkhabeer Car Rental Private Equity Fund, which acquired a 56.1% stake in Al Jazira Rent a Car Company. Alkhabeer Capital also filed an application with the Capital Market Authority (CMA) for the direct listing of Almojtamaa Alraeda Medical Company on the Parallel Market (NOMU), an asset held by Alkhabeer Saudi Private Equity Fund II.

In addition, Alkhabeer's Capital Markets Department successfully listed on the Saudi Stock Exchange (Tadawul) the Units of Alkhabeer Income and growth Traded Fund, the first closed-ended traded fund offering exclusive investment options in a diverse portfolio, with a capital of SAR 1 billion.

Alkhabeer's Real Estate Department continued to implement its strategic plan seeking to partially or totally exit three closed-ended real estate funds. The Real Estate Department's Assets Under Management are valued in excess of SAR 3 billion.

The Corporate Finance Department arranged Shari'a compliant bank facilities in excess of SAR 350 million.

In 2021, Alkhabeer Capital obtained a license from the CMA to provide brokerage services, to deal as a principal and an agent. The Brokerage Department successfully pilot-launched Alkhabeer Brokerage Platform.

Alkhabeer was acknowledged repeatedly in the media and received a number of awards recognizing the quality of its services and the robust performance of its investments. The Company also received awards lauding its ongoing efforts and constant endeavors to develop its human capital and provide the best workplace in the financial sector in the Kingdom of Saudi Arabia and the region, including the selection of Alkhabeer Capital's CEO among Forbes Middle East's "30 Best Asset Managers 2022".

OUTLOOK

Alkhabeer continues to focus as a priority on consolidating its leadership in managing investments in the short and long terms, by offering innovative investment products and attracting qualified professional talent.

The Private Equity Department at Alkhabeer Capital will continue to source and acquire promising opportunities in attractive sectors for listing on the Saudi Stock Exchange (Tadawul) or on the Parallel Market (NOMU). Meanwhile, The Capital Markets Department will persistently endeavor to develop new and innovative investment products, in addition to expanding its launch of closed-ended traded funds. The Real Estate Investment Department will continue to support its strategy by developing its income-generating real estate investments portfolio and stabilizing their performance.

The launch of Alkhabeer's Brokerage Portfolio Department calls for optimism and will play a significant role in contributing to the stable and sustainable growth of the Company in line with its long term strategic plan.

In view of Alkhabeer's outstanding achievement of its 2022 operational and financial objectives, the Board of Directors has resolved to recommend to the General Assembly to distribute cash dividends to shareholders at a rate of SAR 0.5 per share, a total of SAR 44,726,161.50 (or 5% of capital, a total of 89,452,323 shares), payable to shareholders of record, appearing in the CMA issued shareholders' register as of the date of the General Assembly Meeting.

The Board of Directors will continue to work with Executive Management to optimize zakat costs in collaboration with the regulatory authorities concerned, and will develop the right process for calculating zakat cost commensurate with the activities of capital market institutions. Alkhabeer Capital will also continue to prepare its IPO file to be submitted to the authorities concerned upon satisfying the CMA-approved self assessment criteria.

In conclusion, we take this opportunity to express our sincere thanks and appreciation to our shareholders for their continued support, confidence and trust, and to the members of the Board of Directors and all Alkhabeer Capital's staff for their concerted efforts and collaboration in achieving this year's objectives.

Ammar Ahmed Shata
Chairman of the Board

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CHIEF EXECUTIVE OFFICER'S REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

In spite of the significant turmoil experienced by the global economies in 2022, Saudi Arabia remained relatively resilient in terms of economic growth. The Saudi economy grew by 8.8% in Q3 of 2022. The number of small and medium enterprises grew as a result of economic growth, supported by higher oil prices, accelerated non-oil sector growth, and the Kingdom's strong entrepreneurial ecosystem.

FINANCIAL HIGHLIGHTS

Alkhabeer Capital's operating revenues increased by 10% in 2022 to SAR 262.1 million, compared to SAR 237.6 million in 2021, while assets under management grew by 14% to SAR 8.084 billion from SAR 7.077 billion as at the end of 2021, and earnings before zakat and tax increased by 17% to SAR 95.4 million from SAR 81.4 million in the previous year.

BUSINESS HIGHLIGHTS

The implementation of Alkhabeer's strategic transformation plans has reinforced the Company's market position and diversified its investment product offerings by promoting innovation, enhancing product performance and providing investment solutions. This encompassed all of the Company's business activities, positively affecting the growth of assets under management by bolstering institutional and retail investment which contributed to the realization of many of the Company's strategic objectives.

Alkhabeer Capital's Private Equity Department team successfully acquired a 56.1% stake in Al Jazira Rent a Car Company through Alkhabeer Car Rental Private Equity Fund. In addition, Alkhabeer Saudi Private Equity Fund I increased the capital of Innova Health Care Company Saudi Arabia ("Innova") and used the capital increase proceeds to acquire a number of pharmacies as part of the Company's strategic business expansion plan, with the aim of maximizing overall returns to shareholders. The Private Equity Department also filed an application with the Capital Market Authority (CMA) for the direct listing of the shares of Almojtamaa Alraeda Medical Company on the Parallel Market (NOMU), an asset in which Alkhabeer Saudi Private Equity Fund II holds a 49% stake.

In terms of the accomplishments of Alkhabeer's Capital Markets Department, our team successfully listed Alkhabeer Growth and Income Traded Fund, the first closed-ended traded investment fund with a capital of SAR 1 billion offering exclusive investment options in a diverse portfolio, and included it in the main market's All Share Index (TASI). The Fund presents unitholders with long term capital growth opportunity by investing in diversified shares in the local, regional, and global markets.

Alkhabeer's Real Estate Department team partially exited Alkhabeer Residential Development Fund II by selling its end product, namely housing units catering to consumer demand. The team also partially exited Alkhabeer Real Estate Opportunities Fund II by selling the developed plots of land owned by the Fund. In addition, the team exited Alkhabeer US Real Estate Income Fund by selling its last remaining commercial property, Part Ten Plaza.

In the Brokerage Department, Alkhabeer was able to obtain CMA and Saudi Tadawul approvals to join the brokerage institutions operating in the market, after satisfying all the technical and regulatory procedures and requirements related to market membership. This achievement represents the culmination of Alkhabeer Capital's efforts to launch an advanced brokerage platform equipped with state of the art technologies to provide best in class services. The new Brokerage Platform will target stock and debt instruments, derivatives, and currencies across the GCC and major regional and international markets, including Saudi Arabia, the United Arab Emirates, Kuwait, Bahrain, Oman, Egypt, the United States, and the United Kingdom.

To diversify and restructure corporate financing, the Corporate Finance Department arranged Shari'a compliant financing to Alkhabeer Capital with a total value of SAR 350 million.

Thanks to Alkhabeer's constant stream of successes and the satisfaction and trust of our clients, our client base (both institutional and retail) grew by 16%, and our recurring business increased by 53% as at the end of 2022.

Alkhabeer won a number of awards in 2022 including "Best Wafq Fund Award" in 2022 for Best Investment Return in 3 Years by Sanadeq Investment Awards. In addition, Alkhabeer Growth and Income Traded Fund won "Best Innovative Investment Fund Award" in 2022 by Sanadeq Investment Awards. Alkhabeer also maintained its ranking in 2022 by Great Place to Work® Middle East as First Best Workplace in the Financial Sector in the Kingdom of Saudi Arabia, Sixth Best Workplace in the Middle East, Fourth Best Workplace for Saudi Nationals Kingdom-wide, and Third Best Workplace for Millennials in the Financial Sector GCC-wide.

OUTLOOK

We expect that the launch of our brokerage services will enable us to consolidate our client base and maximize the cohesion and harmony of our lines of business. Our clients are increasingly seeking access to local, regional and global financial markets, which makes it imperative for Alkhabeer Capital to continue to offer investment and financial products and solutions in this domain. We are very optimistic of the role our Brokerage Department can play in contributing to Alkhabeer Capital's sustainable growth, in line with our long term strategic plan.

In terms of asset management, Alkhabeer Capital will maintain its expansionary investment strategy, and will capitalize on opportunities to acquire diverse real estate assets to ensure the development of our real estate investment development funds (REIT) programs, and benefit from and develop promising private equity opportunities, and subsequently list them on the main market or the parallel market in the Kingdom of Saudi Arabia. The Capital Markets Department will continue to develop new and innovative investment products to expand its offering and listing of investment funds, and generate long terms capital growth and diverse stabilized income yield for investors.

Alkhabeer Capital will also continue to develop its information technology and cybersecurity infrastructure to consolidate its position and provide best in class services through a secure and user-friendly state of the art environment, in addition to investing in human capital and continuing to provide the best workplace to attract top professional talent to achieve the Company's objectives.

We at Alkhabeer Capital reaffirm our commitment to achieve our goals in 2023 and subsequent years, while maintaining the highest standards of corporate governance and social responsibility.

Ahmed Saud Ghouth
Chief Executive Officer

MARKET OVERVIEW

MARKET OVERVIEW

The global economies experienced significant turmoil in the year 2022; nonetheless Saudi Arabia remained relatively resilient in terms of economic growth, outpacing major emerging economies and Asian nations including India, China, Indonesia, and South Korea.

Most notably, Russia Ukraine conflict and ensuing sanctions on Russian oil from Western countries, put pressure on oil supplies, leading to sharp jump in energy prices. This translated into higher oil revenues for the Kingdom in 2022.

In 2022, the Kingdom of Saudi Arabia recorded the highest economic growth rate among the G20 nations, reaching a decade-high GDP growth of 8.7%. The 2022 GDP exceeded USD 1 trillion, primarily due to increased activity in the oil industry. Based on data from The General Authority for Statistics (GASTAT), crude oil and natural gas production contributed 32.7% of the Kingdom's GDP, while the private non-oil sector accounted for 53.1% of the total GDP. In the fourth quarter of 2022, oil operations increased by 15.4% YoY, and non-oil activities also saw growth of 5.4% YoY. Saudi Arabia's fiscal and external indicators are being supported by higher oil prices, more oil production, and faster non-oil economic development. The latest PMI recorded in December 2022 stood at 56.9, well above expansion threshold of 50, indicating an extension of economic activities in the Kingdom, although it dropped from the 7-year high of 58.5 in November.

Saudi Arabia recorded its first fiscal surplus since 2013. Saudi Arabia total state's budget revenues recorded an increase of 35.7% YoY to SAR 277.9 billion. In the first half of 2022, Saudi Arabia recorded the highest growth rate of GDP since 2011, which rose by 12.2% YoY, with growth primarily driven by the boost in oil activities at 22.9% YoY, while non-oil activities recorded an increase of 8.2%. According to the latest World Economic Outlook (WEO) report by International Monetary Fund (IMF), Saudi Arabia is forecast to witness a real GDP growth of 3.7% in 2023.

The government revenues in 2022 increased 31% YoY to SAR 1.27 trillion (USD 338.5 Billion) while during the same time span, fiscal spending rose by 12%. Saudi Arabian Monetary Authority (SAMA) reserves increased by SAR 100 billion from February to September after experiencing modest outflow in the first two months of the year, mostly because of a growing current account surplus. Government accounts at SAMA surged by SAR 176 billion in the first nine months due to a fiscal surplus. At the same time, deposits made by government organizations at commercial banks increased by SAR 134 billion. Also, Saudi Arabia is taking various measures to attract more investments into the country: National Investment Strategy (NIS), which was launched in 2021 seeks to attract SAR 388 billion in foreign direct investments annually. The Kingdom has set up Investment promotion authority to attract and facilitate more regional and international investments in the country. According to the latest data from Ministry of Finance (MoF), Saudi Arabia has reported a budget surplus of SAR 103.8 billion (USD 27.7 billion) in 2022. The non-oil revenue rose 19% YoY in 2022, greater than the surge in oil-revenues which rose by 17% YoY. The Kingdom is expected to post a narrower surplus in 2023 as it plans a spending boost to tackle the rising inflation and use its oil fortune to escalate the development of economic diversification projects.

In 2022, start-up investments in Saudi Arabia grew by 72% compared to 2021, driven by the country's strong entrepreneurial ecosystem and robust economic growth. Notably, more than half of the Kingdom's SMEs are based in Riyadh and Makkah. As of June 2022, the number of SMEs in Saudi Arabia reached 978,445 showing a significant 25.6% increase from Q4 2021, indicating the rising growth of startups. By the end of Q4 2022, the number of SME firms reached to 1.14 million. According to the latest SME Monitor report released by General Authority for SMEs, Q4 2022 registered 6% QoQ growth. The Biban 2023 SME conference which will be conducted in March as a flagship event for startups further testifies the entrepreneurial progress of the Kingdom.

CRUDE EXPORTS ROSE TO FIVE-YEAR HIGH IN 2022

According to Middle East Economic Survey (MEES), Saudi Arabia's crude oil exports rose to all key regions in 2022 driven by easing of OPEC+ production cuts through the year. Notably, the state oil producer Aramco had success in boosting volumes to several non-core markets thanks to equity stakes in refineries. The Kingdom saw record crude oil production of 10.57 million barrels per day (mbd) in 2022, which drove an 800,000 barrels per day (bpd) year-on-year increase in the Kingdom's crude oil exports.

The energy crisis swelled in 2022 due to the geo-political situations, most notably the Russian-Ukraine war, particularly after the political, military and oil escalation between the West and Russia reached its height. Besides, the global supply chain disruptions also put pressure on the delivery of extracted oil. The geopolitical turmoil led to oil prices hitting record levels at times during 2022, surpassing USD 140 per barrel following the breakout of the Russian-Ukrainian war.

Despite concerns that prices will continue to rise, the intervention by OPEC made prices quickly return to a balance. After the oil production touched its highest levels in August, the organization mediated to cut the output by 100,000 barrels per day, before approving in October a new reduction of two million barrels per day, which led to the price reaching nearly to USD 90 levels per barrel. The Kingdom's position among OPEC countries was also used to mitigate the crisis. The first step was to cut production by 100,000 bpd in September, before it took a larger step and reduced the output by two mbd from November 2022.

After a strong gain in 2022, oil production is set to strengthen in the year 2023 with an average output rising from 10.6 mbd in 2022 to 10.7 mbd in 2023. Despite expected weakness in the first half of 2023 due to a cooling global economy, the oil prices are anticipated to rebound in the second half of 2023, according to projections by various global investment banks.

Meanwhile, Saudi Arabia has issued 38 mining permits in November 2022, as a part of landmark mining investment law issued two years ago to attract capital into its lucrative minerals industry. The new permits included 24 licences for mineral exploration, 13 for building materials industry and one permit for raw material production as per the Industry and Mineral Resources Ministry. The latest report from Industry Conference claims that Saudi Arabia's investment incentives will help the country establish itself as a "global leader" in the mining industry. According to the research, investments in sustainable energy are expected to generate about 14,000 new employments in the area, and the Kingdom intends to draw in USD 32 billion in investment. The Kingdom is currently evaluating 145 exploration license applications submitted by foreign businesses.

MEASURES TAKEN BY THE GOVERNMENT CONTRIBUTED TO CONTAIN INFLATION

According to GASTAT, the average inflation rate rose to 2.5% YoY in FY22 "under the exceptional global circumstances" and is expected to fall to 2.1% in 2023. Notably, the inflation in the Kingdom is moderate compared to levels recorded globally, driven by the proactive measures taken by the government coupled with flexibility of the fiscal and economic policies in the Kingdom that contributed to contain inflation. The Kingdom's efficient supply chain management strategies, fuel and food subsidies and the currency peg to a strong US dollar, helped it contain import inflation.

Amidst the rise in global Inflation, the consumer price index (CPI) of Saudi Arabia registered a 3.1% YoY increase in Q4 2022. The rise was mainly driven by increase in prices of food and beverages and transportation. Meanwhile, the Kingdom took steps to curb inflationary pressures in the country by allocating SAR 20 billion (USD 5.3 billion) in July 2022 to reduce the effects of the increase in the prices on its citizens. The Kingdom's inflation rate will continue to be the lowest among G20 members and among the lowest worldwide in 2023, supporting, among other things, private consumption, and tourism in the Kingdom. Meanwhile, December 2022 data from GASTAT shows prices of 45 goods and services in Saudi Arabia decreased YoY, while prices of 113 out of 169 goods and services increased YoY.

Since March 2022, SAMA has increased its benchmark interest rates by 400 basis points (bps), often tracking the rise in US Fed rates. Consequently, the 3M SAIBOR monthly average for December 2022 was around 5.1%. In December 2022, SAMA raised Repo and Reverse repo rates by 50 bps to 5.0% and 4.5%, respectively.

Market Overview

DEVELOPMENTS AND RISE IN LABOR MARKET

Saudi Arabia ranked highest in terms of labor force growth rate among the G20 countries in the past years as it has shown positive signs in the main labor indicators. According to GASTAT, the unemployment rate among Saudis witnessed a significant drop, which hit 8.0% during Q4 2022, compared to 11.0% Q4 2021. The total unemployment rate for the working-age population fell to about 4.8% in Q4 2022, compared to 5.8% in the previous quarter. Notably, the expansion in business activity in the non-oil sector led to significant job-creation in the private sector.

Saudi Arabia's Human Resources Development Fund (HADAF) facilitated the employment of 400,000 persons in private-sector firms through its programs and initiatives during 2022. The Fund aims to fill 40% of current employment demands in Saudi Arabia by 2030. Notably, the Fund contributed through its programs and initiatives to the growth of recruitment processes by over 300% between 2019 and 2022, and through its efforts the Fund has played a key role in reducing the unemployment rate among citizens from 13% in 2020 to 9.9% in 2022.

The second edition of Saudi Arabia's government programme - Tawteen, aims to increase 170,000 job opportunities in the Kingdom by adding 25,000 positions in the industry sector, 20,000 jobs in the health, transportation, and logistics, and 20,000 jobs in real estate and construction. This project will generate 30,000 work opportunities in the tourism industry alone as Saudi Arabia works hard to establish the Kingdom as a popular tourist destination worldwide. Furthermore, the programme also adds 15,000 jobs in the trade sector and 40,000 job openings in the miscellaneous sectors.

Meanwhile, the government's National Volunteer Portal saw 658,036 people register and carry out 5.4 million voluntary tasks in 2022, benefiting 65 million people and contributing a combined 40 million hours of volunteer work. More than 5,000 public and private sector organizations have registered with the scheme.

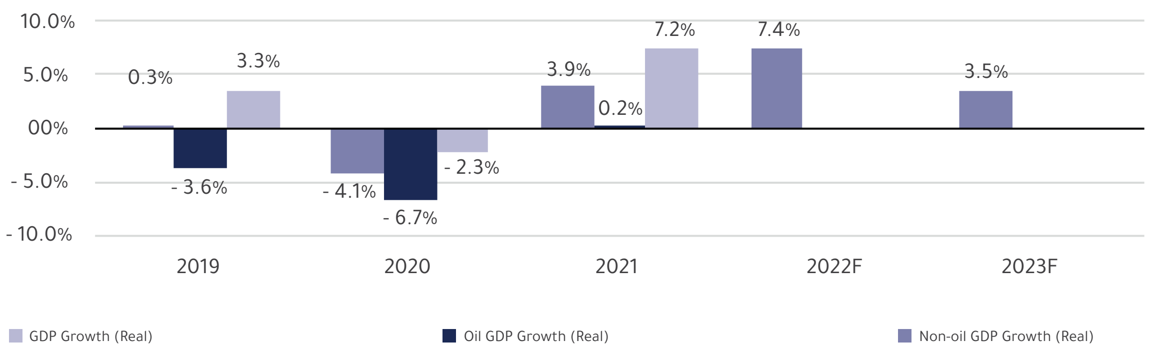
TOURISM AND ENTERTAINMENT SECTORS RAISED THE BAR HIGHER IN 2022

The tourism sector in the Kingdom has experienced rapid growth since the launch of a new tourism strategy in 2019. The number of domestic tourists has increased by 21% to 77 million, while foreign tourist arrivals stood at 16.5 million in 2022, bringing the nation closer to achieving its target of welcoming 100 million visitors by 2030 as part of Vision 2030 plans. Total tourism spending has seen a 93% increase, amounting to SAR 185 billion. The direct contribution of the tourism sector to the GDP has reached 3.2%.

Most notably, the launch of the Jeddah Season, Riyadh Season, Diriyah Season, the upcoming Winter at Tantora festival, and the Saudi winter seasons raised the bar higher for Saudi Arabia's tourism and entertainment sectors in 2022. The General Entertainment Authority arranged several tourism and entertainment projects, including festivals, parties, and seasons from MDLBEAST Riyadh to Al-Balad Beast. On the sports front, fans flocked to witness events including the Saudi Arabia Grand Prix 2022, WWE's Crown Jewel, the Saudi International pro golf tournament, the Diriyah Tennis Cup, and NEOM Beach Games 2022. Interestingly, the Kingdom has climbed 10 ranks in the World Economic Forum's Travel and Tourism Development Index, published in May 2022, and now lies at 34th among more than 100 countries for industry development, sustainability, and resilience.

Saudi GDP Growth

In 2022, Kingdom's real GDP grew by 8.7% as compared to 2021 which was mainly driven by increase in oil activities coupled with rise in non-oil sector. Oil activities rose by 15.4% YoY, while non-oil activities increased by 5.4% YoY driven by government's continued efforts to diversify the Kingdom's economy from dependence on oil by activating the role of the private sector and enabling it to achieve sustainable growth in the domestic economy.



Source: General Authority for Statistics, Ministry of Finance

E- Estimated, F -Forecast

Market Overview

With the strong economic outlook, economic diversification, and significant government assistance provided by the Saudi Vision 2030 plan, the Kingdom's Hospitality and Tourism sectors are expected to flourish during the next decade. According to the World Travel and Tourism Council (WTTC), Saudi Arabia will have the fastest-growing travel and tourism sector in the Middle East over the next ten years, with average annual growth of 11%. Meanwhile, the Kingdom expects the total sector's contribution to reach SAR 635 billion in 2032, constituting ~17.1% of the total economic GDP. Due to significant investments, travel and tourism will become a key component of Saudi Arabia's economy. Also, the Kingdom is anticipated to surpass the goals set out in its Vision 2030 blueprint, as reported by WTTC. The Kingdom has funded the Red Sea Project, NEOM, AMAALA, Diriyah, Qiddiyah, and many other "giga projects" as part of Saudi Vision 2030. These initiatives are anticipated to pave the growth of tourism industry and general economic climate in the Kingdom.

In March 2022, Trojena was announced in Neom city which will be a global destination with country's first ski village and will be completed by 2026. It will also be the venue for Asian Winter Games in 2029 and Saudi Arabia will become the first country in Western Asia to host the Games. By 2030, KSA's General Authority of Civil Aviation (GACA) aims to boost passenger traffic in the Kingdom to 330 million passengers by investing more than USD 100 billion in the aviation industry, building two important airports in Riyadh and Jeddah, and expanding the number of destinations served from 100 to 250. In late September 2022, the Ministry of Hajj and Umrah announced official launch of the national platform for Hajj and Umrah - Nusuk, which will provide information and extensive types of services for pilgrims and visitors, enabling them to perform the Umrah rituals with ease and comfort.

A unit owned by Public Investment Fund (PIF) named "Seven," the Saudi entertainment ventures, is planning to invest SAR 50 billion (USD 13.3 billion) to develop 21 integrated entertainment destinations in 14 cities in Saudi Arabia. It will also serve as a strong foundation for generating employment and serves as a major engine for many other economic sectors, notably the local tourism industry. Through its international partnerships, it will support local SMEs, nurture talent, and enable knowledge transfer. Saudi Arabia and Thailand have also inked five agreements that promise to boost trade and investment, as well as promote tourism and enhance energy cooperation.

THE KINGDOM REPORTED ITS FIRST BUDGET SURPLUS IN THE PAST 10 YEARS ON RISING OIL PRICES

The 2022 marked the first year in nearly a decade when the Kingdom reported a budget surplus, as significant jump in oil prices ramped the revenues. The 2022 budget surplus came in at SAR 103.85 billion (USD 27.7 billion), better than expected. The Kingdom's total revenues in 2022 climbed 31% YoY to SAR 1.27 trillion, while the spending rose 12% from 2021 to SAR 1.16 trillion. The Kingdom recorded a fiscal surplus in the first three quarters of 2022 but reported a deficit of SAR 45.7 billion in the fourth quarter when OPEC+ oil production cuts were declared. The officials stressed that budget surpluses will be used to enhance the Kingdom's financial position in the event of worldwide economic slump by increasing government reserves, supporting national funds, and bolstering government reserves. Meanwhile, several initiatives will be taken by government to reinforce the role of the private sector in the overall economic development and attract further foreign investments. Also, the Kingdom has started "Global Supply Chain Resilience Initiative" to attract supply chain investors to Saudi Arabia. Budgeted expenditure for the year 2023 has been approved to SAR 1.114 trillion (USD 303 billion) and revenues are expected to be at SAR 1.13 trillion.

The growth in domestic non-oil sector and strong oil income should enable strong real GDP growth in 2023. A broad-based rebound in the non-oil economy is expected to bolster tax receipts, notably those from value added tax (VAT), if consumer spending stays strong and business earnings keep growing. The surge in revenues coupled with prudent spending will be conducive to the government's fiscal sustainability programme. Saudi Arabia has significantly less public debt compared to its counterparts in developed economies. The Kingdom is expected to post a budget surplus of SAR 16 billion in 2023, which is equivalent to 0.4% of its GDP, while taxes are projected to make up 28.5% of all revenues in 2023. The public debt is projected to total SAR 951 billion in 2023, or 24.6% of GDP.

In Q4 2022, merchandise exports increased by 6.4% YoY to SAR 342.4 billion as compared to SAR 321.9 billion in Q4 2021. This increase in the exports was backed by oil exports which increased by 13.2% YoY to SAR 117.1 billion. Also, the share of oil exports in total exports rose from 74.4% in Q4 of 2021 to 79.2% in Q4 of 2022. The non-oil sector grew by 5.4% YoY in 2022, driven by manufacturing, wholesale, retail trade, restaurants and hotels, construction, and transport sectors. Meanwhile, non-oil exports (including re-exports) for Q4 2022 decreased by 13.6% YoY to SAR 71.1 billion from SAR 82.2 billion in Q4 2021. Non-oil exports also decreased by 10.0% on quarterly basis compared to Q3 2022 by SAR 7.9 billion. Furthermore, merchandise imports increased by 29.9% to SAR 193.0 billion in Q4 2022 versus SAR 148.6 billion in Q4 2021. Imports also increased by SAR 8.3 billion or 10.0% on a quarterly basis as compared to Q3 2022.

The Kingdom adopted many policies and measures with the aim of protecting the economy from the repercussions of inflation and supply chain challenges to achieve high growth rates which demonstrates the economy's strength and durability. The tax revenues for the year 2022 was SAR 323.1 billion which was approximately 25.5% of the total revenue in the same period. Taxes on income, profit & capital gains (including corporate income tax and tax on foreign companies) amounted to SAR 24.5 billion registering a 37% increase as compared to 2021. Tax on goods & services (including value-added VAT and excise tax) stood at SAR 251.5 billion almost equal to the revenue in 2021.

Some of the key projects and programmes where expenditures will be directed include:

1. **Economic Resource: SAR 72 billion**

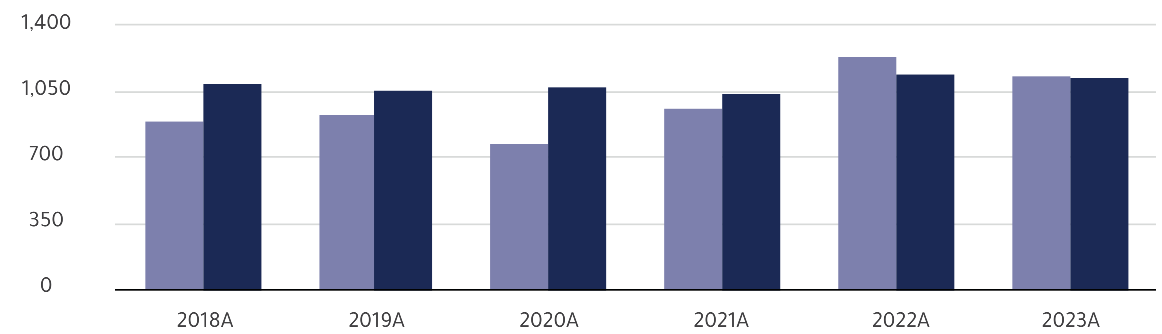
   Construction of industrial sites with a total size of roughly 8 million square meters (sqm) for the Royal Commission in Jubail and Yanbu in order to draw in business investments supporting the aviation sector's fundamental supply chains by creating 10 viable investment possibilities.

2. **Housing, infrastructure, and transportation: SAR 34 billion**
   - Aiding more than 120,000 families through the national housing program "Sakani."
   - Increasing the 98.12 megawatts (MW) of capacity of data centres and cloud services to 150 MW by the end of 2023.
   - Deployment of electronic gates to finish security checks at several airports throughout the Kingdom.
   - Establishing 12 digital platforms to boost the efficiency of the movement of products and the quality and competitiveness of logistics services.
   - By increasing rail freight capacity to 12.8 million tonnes and 800,000 TEUs, the Kingdom will be able to cut transportation costs and times, grow its industrial sector, connect its cities and ports, and lessen its carbon emissions.
   - Boosting rail traffic will reduce carbon emissions from land transportation by 36,000 tonnes.

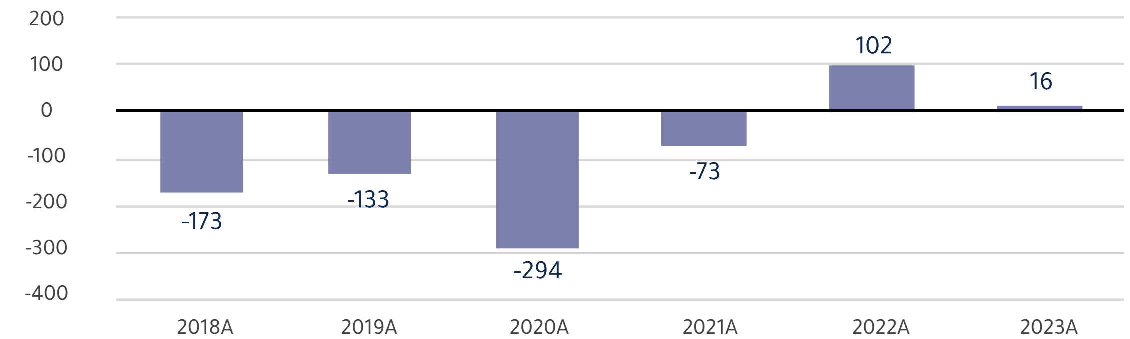
3. **Municipal services: SAR 63 billion**
   - Completing the construction of 12 km of residential neighbourhoods with gardens and squares, totalling 910,364 sqm of park space.
   - Establishing Al-Khobar Corniche as the first environmentally friendly beach in the Kingdom.
   - Establishing 5 new businesses as the investment arms of municipalities will allow the third phase of the investment infrastructure development strategy to be completed.
   - Establishing design studios for urban codes in municipalities as urban codes provide more urban design direction and assistance to spatial planning strategies, policies, and laws.
   - Creating and revising local and regional lots. Creating urban codes for five regions and 45 governorates.
   - Creation of a thorough strategic plan for all cities and governorates' urban valleys (run offs) and torrents.

Budgeted Revenue and Expenditure

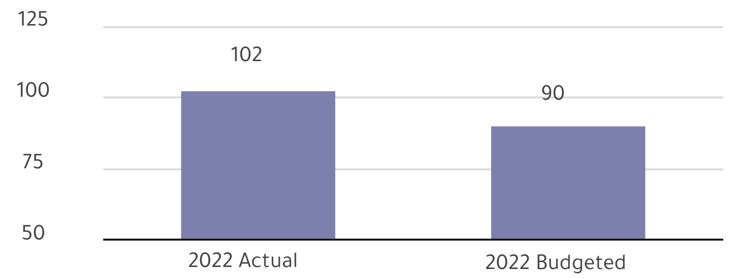
SAR Billion



(Deficit) / Surplus



Actual vs Budgeted Surplus in 2022



Source: Ministry of Finance

GLOOMY GLOBAL ECONOMIC BACKDROP COULD WEIGH ON OIL PRICES IN 2023

According to January 2023 monthly oil market report by International Energy Agency (IEA), global oil demand is projected to grow by 1.9 mbd in 2023 of which around half of the increase is attributed to China lifting its Covid restrictions. However, several factors- including the inflation levels, monetary tightening measures, sovereign debt levels, as well as geopolitical tensions – will weigh on global oil demand. In the last quarter of 2022, OECD oil demand slumped by 900 kbd owing to weak industrial activity and weather effects lowered use, while non-OECD demand was 500 kbd higher. Meanwhile, according to OPEC, the global oil demand in 2022 rose by 2.5 mbd.

The Brent crude oil spot price averaged USD 100 per barrel in 2022, and the WTI spot price averaged USD 95 per barrel. In the first half of 2022, geopolitical tension with Russia, culminating with Russia's full-scale invasion of Ukraine and the subsequent supply chain disruptions contributed to crude oil price increase. From the third quarter of 2020 to the second quarter of 2022, there was a declining trend in global crude oil inventory. The lower inventory was the result of withdrawals from storage to meet the demand that resulted from rising economic activity as pandemic-related restrictions eased across economies. Starting from the second half of 2022, crude oil prices followed a general decreasing trend as concerns about a possible economic recession reduced demand.

The IEA predicts that oil consumption will increase to 101.9 mbd on average in 2023, with prices remaining high. Supply interruptions outside of the Middle East are anticipated to partially offset the negative effects of weakening global economic conditions on oil prices. However, the challenging global economic backdrop and COVID-19 flare-ups in China threaten demand growth and could weigh on crude oil prices in 2023. A Reuters survey of 30 economists and analysts expects Brent crude to average USD 89.4 a barrel in 2023, nearly 5.0% lower versus the USD 93.7 consensus in a November survey.

Brent Crude Oil Spot Prices

USD per barrel

Source: Bloomberg

ECONOMIC UNCERTAINTY BATTERED TASI PERFORMANCE IN 2022

Tadawul All Share Index (TASI) ended 2022 with a decline of 7.1%, on investor concerns about global economic recessions and interest-rate hikes, besides oil price fluctuations. The Index reached highest level of 13,820.35 points on closing of 8th May 2022. Total Market capitalization of TASI reached SAR 9,878.10 billion by the end of 2022, a decrease of 1.3% YoY. The total value traded in 2022 was down ~24% and reached SAR 1708.04 billion compared to the SAR 2235.90 billion for last year. In terms of number of transactions, Materials industry group was most active with 19.92 million trades, which was ~22.7% of total no of trades in 2022, it was followed by Banks at 10.64 million trades (12.1% of total trades) and Energy at 5.74 million trades representing 6.5% of all trades executed during the year 2022. Materials, Banks, and Energy also lead the pack in terms of value of shares traded with 23.8%, 21.8% and 7.0% of total share in value traded for the year 2022.

In terms of performance of industry group indices, Software and Services was leading with 25.25% return in 2022, followed by Healthcare Equipment & Services which delivered 24.55% returns and Utilities which gave ~21% returns. Meanwhile, other Industry group Indices gave negative returns for 2022.

According to S&P Global Ratings, the capital markets would be crucial in financing not only private sector investments but also giga-projects like Neom, the Initial Public Offering (IPO) for which is anticipated in 2024.

The institutional investment activity continued its momentum with the value of the institutional investors' ownership amounting to 96.2% in Q4 of 2022, compared to 95.8% in Q4 of 2021. The number of listed companies on the main market (TASI) reached at 223 at the end of Q4 2022, an increase of 6% compared to 210 companies in Q4 2021. Notably, the number of listed companies on the Nomu parallel market reached 46 during 2022, witnessing a significant jump of 229% over the year. According to Capital Market Authority (CMA) data, the total number of investment funds rose to 941, an increase of 25% compared to 751 in Q4 2021. The asset value of portfolios under management rose by 13% reaching to SAR 265.2 billion in Q4 of 2022, compared to SAR 234.78 billion in Q4 of 2021.

Meanwhile, the REITs sector witnessed poor performance in 2022, with Riyad REIT being the only company posting a gain of 0.30% YoY, while the 16 REITs declined. Among the fallers, Sico Saudi REIT and Mefic REIT posted the biggest declines of 35% and 34%, respectively.

The Saudi Tadawul Group and Boursa Kuwait signed a Memorandum of Association (MoU) to explore opportunities for cooperation in the areas of financial technology (fintech), products, and developing sustainability as well as Environmental, Social, and Governance (ESG) reporting and implementation. The MOU also covered cooperation in planning joint events, Investor Relations efforts, and cross-listing of companies on both exchanges.

During 2022, Saudi Arabia witnessed 18 IPOs on Tadawul and 19 on its parallel market Nomu, with total value offered of SAR 37.5 billion and SAR 1.86 billion, respectively. At the end of 2022, the total number of companies listed in TASI reached 223 and market capitalization of all IPOs reached SAR 147.37 billion representing ~1.5% of the total market cap.

THE PIF CONTINUES TO LEAD THE ECONOMIC DIVERSIFICATION JOURNEY IN SAUDI ARABIA

The PIF owns more than 54 companies in 10 different sectors currently and has generated more than 500,000 direct and indirect jobs. In 2022, PIF also launched two major companies; Saudi Coffee Co. and Halal Products Development Co. (HPDC) Saudi Coffee Co. aims to develop sustainable coffee production in the southern Jazan region, home to the world-famous Coffea Arabica, while the HPDC eyes turning the Kingdom into a global halal hub. Notably, PIF seeks to expand its assets and it has a detailed strategy to increase the fund's assets from nearly USD 700 billion currently to reach between USD 2 trillion to USD 3 trillion by the end of this decade. In November, PIF Governor Yasir Al-Rumayyan said that the fund is planning to create even more employment opportunities.

The PIF has established Aseer Investment Company (AIC) to operate as its investment arm in the Aseer region of Saudi Arabia, with the aim of developing and transforming the area into a year-round tourist destination, by encouraging local and foreign direct investment. Additionally, it will open a variety of investment opportunities for both local and foreign investors in numerous industries, including tourism, hospitality, healthcare, sports, education, food, and many other rapidly expanding domestic industries. Notably, the establishment of the business is consistent with PIF's aim to support Saudi Arabia and its position as a top investment destination while also enabling the potential of the country's promising sectors.

As the Kingdom strives to meet its net-zero aim by 2060, the PIF is actively working toward attaining the commitment to create 70% of Saudi Arabia's power needs through renewable energy by 2030. Notably, PIF has been investing heavily in companies that produce renewable energy, such as ACWA Power and the Sudair and Al Shuaibah Solar Energy projects. Additionally, the PIF fund has planned to invest USD 915 million in Lucid Motors and E1 to create electric automobiles. In addition, the PIF intends to invest SAR 1.55 billion (USD 412 million) in local tourism giant Almosafer.

Additionally, the kingdom's largest mobile operator by market value, Saudi Telecom Company (STC), and the sovereign wealth fund of Saudi Arabia are collaborating to launch an Internet of Things (IoT) business. In the joint venture that will provide smart solutions in industries such industrial production, logistics, transportation, and smart cities, STC and PIF will each possess a 50% ownership each. According to the goals of Vision 2030, this cooperation will support the PIF's initiatives to localise cutting-edge knowledge and technology in Saudi Arabia and advance the development of a digital economy.

THE HEALTHCARE INDUSTRY IN THE KINGDOM OF SAUDI ARABIA IS "ENTERING A NEW ERA OF OPPORTUNITIES"

The healthcare care sector in the Kingdom is in a boom driven by government initiatives to boost the healthcare sector along with the goals outlined by the Vision 2030 to enhance the quality of life. Meanwhile, with several future healthcare public-private partnership projects (PPPs), Saudi Arabia is seeing a rise in private investment in the field. A report by Mashreq and Frost & Sullivan notes that KSA intends to spend USD 66.67 billion on healthcare infrastructure and increase private sector participation from the present 40% to 65% by 2030. 290 hospitals and 2,300 primary health centres are among the facilities that will be privatised.

The rising healthcare budget and investments over the past ten years are evidence that the demand for healthcare in KSA has continued to increase. According to International Trade Administration (ITA), KSA accounts for 60% of the GCC countries' healthcare spending, and the KSA government continues to place a high premium on the industry. Healthcare and social development will account for USD 36.8 billion in 2022, or 14.4% of its total expenditure.

Increased investments in infrastructure and innovation are anticipated to fuel significant growth in the Kingdom's healthcare sector. The life expectancy in KSA is predicted to rise from 76.4 to 81.8 years by 2050, and the Kingdom's population is anticipated to increase from 34.3 million in 2019 to 39.4 million by 2030.

The government has pledged that 88% of the population will have access to inclusive health services and 100% of the population will have access to the unified medical records system by 2025 as part of Vision 2030. Other health care subsectors will experience consistent expansion thanks to Vision 2030 and localised production. One of MENA's largest markets, the pharmaceuticals sector is projected to grow from USD 6.0 billion in 2018 to USD 10.7 billion by 2023. Localization of manufacturing increased substantially, from 20% in 2016 to 40% in 2020, and S&P anticipates that government incentives will continue to draw capital.

By reorganising the healthcare sector to become a comprehensive, efficient, and integrated health system that is based on the health of the individual and society, the recently established healthcare sector transformation programme, which is a part of Vision 2030, seeks to ensure the continued development of healthcare services in the Kingdom. Additionally, it intends to increase the availability of e-health services and digital solutions, increase the quality of healthcare services, and ensure optimal coverage across a wide geographic distribution.

According to the latest research by Knight Frank, based on the present bed density, Kingdom will need an extra 20,000 beds by 2035. According to the average bed density around the world, the Kingdom had shortage of 14,000 beds in 2016, and by 2035, this shortage is predicted to grow to 40,000 beds. According to Colliers International, as both men and women's life expectancies rise, there will be a greater need for long-term care (LTC) institutions that specialise in geriatric care, rehabilitation, and home healthcare services. According to Colliers, the Kingdom of Saudi Arabia requires between 6,400 and 9,600 beds specifically designated for long-term care, based on the existing international norm of four to six beds per 1,000 people over 65. By 2050, this is anticipated to increase to 41,200-61,800 LTC beds.

Furthermore, KSA will transform healthcare with National Platform for Health and Insurance Exchange Services (NPHIES) data exchange, a platform designed to unify patient care records for healthcare providers and optimise insurance services, aimed at transforming healthcare into digital in Saudi Arabia. The evolution of NPHIES is in line with the Kingdom's Vision 2030 plan to diversify the country's economy to and develop sectors such as technology.

Furthermore, SAR 189 billion in Budget 2023 has been allocated for spending on healthcare and social development, which is expected to stay largely constant. For 2023, a wide range of activities are planned that will maintain current trends including Localization Programs, increase access to healthcare and related services, as well as increased investment in physical infrastructure related to health.

The Kingdom's authorities are planning to expand with 12 industrial sectors as a part of Saudi Arabia's National Industrial Strategy (NIS), which will incorporate opportunities for growth and increase competition at the domestic and international levels. The 12 targeted sectors include: aerospace, automotive, maritime, renewables, chemicals, machinery and equipment, medical devices, pharmaceuticals, food processing, building materials, mining industries, and military industries.

The analysis by S&P Global Ratings predicts that over the medium and long terms, spending would increase significantly in the sectors of telecoms, utilities, food and agriculture, healthcare, and digital infrastructure, with finance coming primarily from the debt capital markets and will benefit from investments flow through Vision 2030. Meanwhile, USD1 trillion is allocated for real estate and infrastructure projects, which will assist Saudi Arabia's real estate market. In addition to this, a government initiative to entice international corporations to locate their headquarters in the country has helped the office market. In the upcoming three years, this momentum is anticipated to persist despite high occupancy rates and few new constructions. Furthermore, S&P anticipates major investments in the nation's grids as well as increased Public-Private Partnerships (PPPs).

The biggest economy in the Arab world, Saudi Arabia, has revealed a new intellectual property strategy to encourage investment and foster creativity and innovation. The National Intellectual Property Strategy will further encourage investment, produce top-notch employment, and increase understanding of the rights of artists and innovators. There are four pillars on which the National Intellectual Property Strategy is built. According to the SPA, these include IP production, IP administration, IP commercialization, and IP protection.

By encouraging young talent in the nation, the IP creation pillar will increase the production of high-value national intellectual property assets, whilst the IP protection pillar seeks to promote the market economy by safeguarding creative rights. The commercialization pillar will help the monarchy expand and draw in new investments. While this is happening, the administration pillar seeks to increase the value of intellectual property by putting in place a quick and thorough registration process to guarantee efficient management of human innovation.

Furthermore, in the light of the upcoming opening of two leading beachfront resorts, Red Sea Global recently said that it will be prepared to receive visitors by early 2023. Additionally, the At-Turaif and the Bujairi Terrace UNESCO World Heritage Sites were unveiled in the central region by the Diriyah Gate Development Authority. Some of the most opulent restaurants and hotels in the world are part of the USD 50 billion project, which was designed in the traditional Najdi architectural style.

GOVERNMENT INITIATIVES AIMS TO INCREASE THE HOME OWNERSHIP IN THE KINGDOM OF SAUDI ARABIA AND CONTINUE TO STRENGTHEN REAL ESTATE SECTOR

The Kingdom will experience consistent real estate market growth, supported by Vision 2030 and the Iskan programme, with USD 1 trillion set aside for real estate and infrastructure projects, reports S&P Global Ratings. By the end of the year 2030, eight new cities and 1.3 million additional dwellings are expected to be built. By 2030, Riyadh's population is expected to increase to almost 15 million from roughly 8 million, with the ambitious goal of being one of the ten largest cities in the world (2018 estimates). Real estate will profit from several new initiatives aimed at increasing local housing supply and reviving the business and financial sectors through investments in commercial real estate.

According to the GASTAT, residential real estate prices climbed by 1.6% YoY in Q4 2022, accounting for 1.5% of the Real Estate price Index growth. The increase was mostly driven by 2.7% increase in residential plot prices, which drove up the overall index due to their larger relative weight in the index. In 2022 the number of real estate transactions increased 6% YoY compared to 2021, and the total number of transactions reached 229,100 by the year end. The value of real estate deals during 2022 amounting to SAR 264.1 billion was the highest since 2016. On the contrary, total area of sold real estate slumped 66% YoY to 1.41 square meters. Riyadh accounted for 51.6% of the total transaction value in 2022. The prices of commercial real estate decreased by 0.4%, and the prices of agricultural real estate had a 0.8% depressing effect on the overall index.

By 2030, it is anticipated that the Kingdom will reach its goals of 8.8% of GDP being contributed by the housing sector and 70% of the population owning their own home. The Saudi Central Bank's support was crucial to the sector's growth, cutting the required down payment for property purchases from 30% to 5% of the purchase price and increasing the number of institutions that offer mortgage loans. By regulating the interactions between all parties involved in the renting process, efforts like Ejar assist stabilize the rental and buyer markets for real estate. Meanwhile, the Saudi Real Estate Development Fund and Riyadh-based mortgage lender Bidaya Home Finance have entered a partnership to provide real estate finance institutions and businesses with access to affordable housing and financing options. The agreement aims to provide short and medium-term financial facilities to propel the journey of beneficiaries owning a suitable home, and the initiative is in line with the objective of one of the Kingdom's Vision 2030 programmes, referred to as a "housing for all by 2030."

Meanwhile, the REIT IPOs have seen two listings on Saudi Exchange during the year, one was Alinma Hospitality REIT fund managed by Alinma Investment Company. It had the offering size of 51.14 million units at offer price of SAR 10. Another listing was of Al Waha REIT fund on the Nomu parallel market with offering size of ~3.2 million units at offer price of SAR 10. Managed by Wasatah Capital, Al Waha REIT fund was listed on Nomu market on November 30, 2022.

The key initiatives, such as the Mulak program, Shrakat, and Sakani, strengthen the cooperation between the public and private sectors to provide services and residential goods that cater to citizens' needs at reasonable costs and digitally enable Saudi homebuyers to submit an online application for their first residence. Enabling financial inclusion, the Saudi Credit Bureau (SIMAH) completed the rollout and adoption of the FICO® Score by lenders in country in mid-September 2022. Millions of Saudi customers in various segments such as self-employed, entrepreneurs, retirees etc., which struggled to access loans will now be able to borrow from banks.

Market Overview

2023 WILL BE DRIVEN BY THE STRONG EXPANSION OF THE NON-OIL SECTOR AND SUSTAINED OIL ACTIVITY

The government-sponsored large-scale economic diversification projects and a slew of government programs aimed at fuelling growth in the domestic entertainment and tourism sector, as well as education, healthcare, and affordable housing are expected to support growth momentum in the private sector. Though Kingdom is expected to continue is growth trajectory in the oil sector, the decision by OPEC+ to reduce oil output in 2023 could affect oil revenues. The fiscal restructuring in Saudi Arabia continues to aid in streamlining operating spending and helps in diversifying income sources. Meanwhile, public debt is anticipated to remain below the government's debt ceiling of 50%. While the Kingdom's economic growth in 2023 is expected to be lower than in 2022, its durable non-oil sector economy and relatively resilient oil sector bodes well for Kingdom's economic growth prospects in 2023, amid global macro uncertainty.

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REVIEW OF ACTIVITIES AND OPERATIONS

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ASSET MANAGEMENT DIVISION

Alkhabeer Capital's Asset Management Division (AMD) focuses on keeping abreast of economic conditions and market investment opportunities, while constantly assessing changing client needs to develop new investmen t solutions to cater to those needs and manage client investments in compliance with Shari`a principles and by adhering to the highest levels of governance.

AMD seeks to achieve good investment performance and generate competitive and attractive returns in the long term for all of the Company's investment offerings, including our public and private investment funds and discretionary management portfolios.

Alkhabeer Capital's current portfolio is comprised of 22 funds and investment companies.

2022 HIGHLIGHTS

- Assets under management grew in 2022 by 14%, from SAR 7.08 billion in 2021 to SAR 8.08 billion in 2022.
- Acquired Almojtamaa Alraeda Medical Company (asset owned by Alkhabeer Saudi Private Equity Fund II).
- Listed AME Company for Medical Supplies Limited, a company owned by Alkhabeer Healthcare Private Equity Fund I, on the Parallel Market (NOMU).
- Sold the third and last remaining property of Alkhabeer US Real Estate Income Fund. The Fund is currently under liquidation.
- Alkhabeer REIT Fund Board approved the third additional increase of the Fund's total asset value.
- Listed Alkhabeer Growth and Income Traded Fund on the Saudi Stock Exchange (Tadawul), with a total value of assets under management in excess of SAR 1 billion.
- Launched Alkhabeer Multi-Asset Private Equity Income Fund I.

PRIVATE EQUITY DEPARMENT

The Private Equity Department at Alkhabeer Capital strengthens Alkhabeer's position as the trusted partner for family businesses in Saudi Arabia and the region, as we aim to provide investment services in private equity in several sectors, including the education, healthcare, leasing and industrial sectors.

The Private Equity Department works in close coordination with the senior management teams of investee companies in the investment portfolios managed by Alkhabeer Capital to achieve the targeted operational and financial value, by investing in targeted deals through specific funds that are established with large private capital provided by Alkhabeer Capital.

The Private Equity Department Assets Under Management are in excess of SAR 2.1 billion in 12 investment funds.

2022 HIGHLIGHTS

- Acquired a 56.1% stake in Al Jazira Rent a Car Company in Riyadh by Alkhabeer Car Rental Private Equity Fund.
- Alkhabeer Saudi Private Equity Fund I participated in the capital increase of Innova Health Care Company Saudi Arabia ("Innova"). Used the capital increase proceeds to acquire a number of pharmacies as part of the plan to expand Innova's business and maximize its value.
- In November 2022, Applied to CMA and Tadawul to directly list the shares of Almojtamaa Alraeda Medical Company, 49% of which is owned by Alkhabeer Saudi Private Equity Fund II, on the Parallel Market (NOMU). The application remains pending.

Review of Activities and Operations

CAPITAL MARKETS DEPARMENT

The Capital Markets Department (CMD) has developed a track record in providing investment management services to a diverse client base through its Funds and Discretionary Portfolio Management (DPM) platform, generating competitive returns compared to similar investment products offered in the market.

The Capital Markets Department also continues to collaborate with global and regional investment managers for the purpose of developing new innovative investment products.

The AUM in the Capital Markets Department amounted to SAR 2.5 billion distributed among four investment funds and DPMs.

2022 HIGHLIGHTS

- The AUM of investment funds and DPMs during 2022 witnessed a steady growth of 87.97% compared to 2021, reaching SAR 2.5 billion.
- During 2022, the Capital Markets Department launched "Alkhabeer Growth Income Traded Fund". The fund raised SAR 1,000 million in capital through an IPO process. The Fund is investing in a diversified portfolio of global public equities, initial public offerings of companies, private placements, funds and, cash and cash equivalent.

REAL ESTATE DEPARMENT

The Real Estate Department focuses on providing unique real estate investment products, managing them professionally, and achieving outstanding performance, with the aim of providing competitive returns from direct ownership of real estate thanks to its in-depth experience in the sector and its disciplined approach to investment performance.

The Real Estate Department Seeking to meet the needs of investors with different tolerances for risks and different goals in achieving returns, based on the philosophy of real estate investment management that is based on a deep understanding of the different needs of investors.

Income-generating investment opportunities are seized after conducting due diligence studies and conducting an accurate evaluation of the different investment rationale.

Real estate investments constitute a large proportion of the investment portfolio of Alkhabeer Capital as the value of assets under management in the real estate investment department is SAR 3.3 billion distributed among seven real estate investment funds.

2022 HIGHLIGHTS

- Adopted an opportunistic approach towards acquiring income-generating real estate properties through the existing Alkhabeer REIT Fund, which aims to gradually expand and diversify its offering. Currently, the Fund Manager is working towards increasing the fund's total asset value through new acquisitions.
- Continued the partial exit of "Alkhabeer Real Estate Residential Development Fund II" through the sale of residential villas and "Alkhabeer Real Estate Opportunity Fund II" through the sale of land plots owned by the fund.

PRODUCT DEVELOPMENT DEPARMENT

The Product Development Department plays a strategic role throughout the investment cycle. The Department develops and structures new investment opportunities that have been identified by fund managers into innovative investment solutions and products.

It also supports fund managers in relation to new acquisitions, fund exits, terminations and liquidations. Additionally, the department ensures that all products are developed and managed in a Shari'a-compliant manner through effective coordination with the Shari'a Advisor. The Product Development Department also prepares fund reports as per the CMA requirements and compiles fund performance reports for investors. In addition, the department liaises with lead managers and receiving banks to support public offerings of AKC products. The department's team of specialized professionals has extensive experience in investment fund development, financial analysis, economic and market research, and applicable investment laws.

2022 HIGHLIGHTS

- Supported the launch of Alkhabeer Diversified Income Traded Fund, the first closed-ended traded fund to be launched in Saudi Arabia and traded on Saudi Tadawul.
- Supported the team and liaised with the financial advisor and other service providers to obtain CMA approval for the listing of AME Company shares on the NOMU market. This shall be Alkhabeer's first private equity portfolio company to be listed.
- Structured and developed three new private equity products: Alkhabeer Industrial Private Equity Fund IV, Alkhabeer Saudi Private Equity Fund I and Alkhabeer Saudi Private Equity Fund II.
- Structured and developed the Alkhabeer Private Multi Asset Income Fund I, based on the investment requirements of a private institutional client.
- Updated the product offering documentation to address the amendments in relation to specific products.

BROKERAGE DEPARMENT

The Brokerage Department endeavoured to provide a comprehensive platform for institutional and retail investors, giving them the opportunity to trade in local, regional, and global equity, derivatives and foreign exchange markets, backed by financial products fulfilling the aspirations of all investor categories.

The brokerage platform is uniquely equipped with state-of-the-art specifications based on artificial intelligence initiatives to enhance the quality of target services.

2022 HIGHLIGHTS

- Mobilized a team of related strategic partners to structure the brokerage activities and services to be provided to our clients.
- Alkhabeer Capital obtained a license from the CMA to provide financial brokerage services, to deal as a principal and an agent.
- Pilot-launched Alkhabeer Brokerage Platform to enable trading in local, regional, and global markets.
- Alkhabeer Capital's Brokerage Department commenced attracting clients steadily to trade on the pilot platform and use the services it provides.

Review of Activities and Operations

CORPORATE FINANCE DEPARMENT

The Corporate Finance Department provides comprehensive financing services that cater to the needs of its clients and support the growth of the Company's investments, by relying on its knowledge and expertise in providing innovative and appropriate structures for raising capital and providing financial advice.

The Department also focuses on providing Shari'a-compliant finance structures by capitalizing on its relations with a multitude of financiers and investors, such as banks, investment funds, sovereign entities, private equity companies and family offices. The Department is also working on reviewing cash flow forecasts and requirements, in addition to supporting clients in structuring and securing credit facilities by negotiating with lenders, debt bond holders, and following up with the relevant committees and authorities.

2022 HIGHLIGHTS

- The Corporate Finance Department of Alkhabeer Capital arranged Shari'a compliant financing to Alkhabeer Capital funds, with a total value of SAR 675 million.

OPERATIONS DEPARMENT

Alkhabeer Capital has acquired extensive experience over the past years in the field of providing operational services, including administrative services, specialized custodian services for managers of investment funds, financial and Waqf institutions and other investment entities, as well as brokerage services.

Alkhabeer Capital also provides comprehensive and integrated services comparable to what is provided by the largest administrative services companies. We also provide customized solutions to each client's needs that combine efficient operations and technical capabilities, following a methodology based on providing the best specialized experts and the latest technology. Thus, we are always able to perform the required work at the highest levels of quality and on time. Our specialized expertise includes investing in the local and global markets in private equity, real estate, income-generating assets, equities and money markets.

2022 HIGHLIGHTS

- Worked side by side with the various Alkhabeer Capital Departments to fulfil all the requirements for listing AME for Medical Services Company, until the listing of the Company on the Parallel Market (NOMU) was completed on 18 January 2022.
- Supported the public placement of Alkhabeer Growth and Income Traded Fund.
- The Operations Department structured and organized the Brokerage Department and ensured the recruitment of high caliber experts to join its team.

Review of Activities and Operations

BUSINESS DEVELOPMENT AND PLACEMENT DIVISION

The Business Development and Placement Division aims to create an added value for Alkhabeer Capital in the long term through its clients, markets and relationships.

The Division is also benefiting from its extensive knowledge and deep experience in providing Alkhabeer Capital products in the Kingdom of Saudi Arabia and the GCC countries to a wide client base of high-net-worth individuals, family businesses, institutions and corporations. The Division continues to strengthen the Company's distinguished investment relations with clients and to consolidate bridges of communication with them.

By introducing clients to the new products and deals offered by the Company, with continuous and regular communication with them to inform them of the latest developments in their investments in their investment portfolios, in addition to providing periodic reports that include the latest developments in the local, regional and global investment markets, the prevailing investment climates, and the opportunities available in different markets.

2022 HIGHLIGHTS

- Grew our client base by 25% with a significant increase in the number of individual clients.
- Repeat business reached 34% by the end of 2021, which reflects the satisfaction of our existing clients.

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Alkhabeer Capital

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CORPORATE COMMUNICATIONS DEPARTMENT

The Corporate Communications Department at Alkhabeer Capital is responsible for the development of communications and marketing plans for new investment products and funds, and the launching of marketing campaigns for IPOs and subsequent offerings, as well as other campaigns to build Alkhabeer's brand.

The Corporate Communications Department is also responsible for the development and implementation of the internal and external communication and digital marketing strategies, building relations with various media, organizing and managing business related annual or periodic events, including the ordinary general assembly and board meetings of Alkhabeer's investment funds, as well as other important events at Company personnel level.

On the digital front, Management plans the Alkhabeer's social media pages and the Company's official website, and runs them as effective platforms for the Company's marketing campaigns and to post the latest Company advertisements and updates, as well as to publish written or advertising material.

In terms of internal communications, Management keenly seeks to organize effective internal communications structures to enable the Company's employees to measure performance and keep abreast of the Company's internal developments and external issues affecting its business, by way of publishing periodic progress reports, economic reports, quarterly business reviews, press releases and other content to consolidate ties between Company employees and ensure the achievement of common objectives.

2022 HIGHLIGHTS

- Published several press releases and key advertisements to shed light on the Company's achievements and provide updates on the investment business activities of the closed-ended traded public funds.
- Launched a digital marketing plan on social medial websites to announce the opening of subscription for Alkhabeer Growth and Income Traded Fund, yielding over 470 thousand subscribers. The campaign continued to run until the successful completion of the subscription process and the listing of the Fund on the Saudi Stock Exchange (Tadawul).
- Supported the Company's strategy to exit Alkhabeer Healthcare Private Equity Fund I and develop and marketing plan to promote awareness of the Fund owned asset "AME Company for Medical Supplies" and introduce the Company and its future outlook.
- Launched an campaign to promote awareness of the Company's closed-ended traded funds using digital platforms and social media websites.

INFORMATION TECHNOLOGY DEPARTMENT

Alkhabeer views IT as a key strategic driver and promotes effective stewardship of a secure, highly reliable technology infrastructure along with high-quality, services and support, to meet the ever-changing needs of business.

The major achievement for the year includes hundred percent availability of network, firewall, disaster recovery, email, and backup; while not a single event of any virus attack, vulnerability, hacking attempts and high-risk audit observation. During 2022, the Company continued fostering creative and innovative use of technology and implemented new solutions and upgraded IT infrastructure to support information systems and services.

Information security continued to be a priority during this year as well. Considering the cyber-attacks and breaches these days, implemented innovative solutions to stay abreast with the technological advancements and advanced persistent threats.

2022 HIGHLIGHTS

- Implemented NAC ("Network Access Control") solution to improve the security of IT Infrastructure by blocking access for unauthorized/rogue devices and users which are non-compliant with security policy.
- IT played a crucial role in evaluating, selecting and oversee the implementation of "Order Management System (OMS)" for Brokerage. The application is a SaaS service and addresses the complete cycle of Brokerage, which includes order management, back office, administration, dealer terminal, and MIS reporting. From the regulatory perspective the system is fully compliant with Tadawul and CMA and strictly adhere to their guidelines.
- Along with OMS, the web online portal was also implemented. The portal is a single point of access for customers, starting from client onboarding, to providing them an online channel to invest, withdraw, subscribe, generate, and view their portfolio performance reports, perform KYC and perform other such tasks. Successfully Integrated with Worldcheck and Elm (Yakeen and OTP).
- Migrated the backend applications (Asset Management System and CRM) to the cloud to have seamless integration with the OMS. Going forward, all our mission critical processes (front-end as well as back-end) will be under one umbrella and hosted on a single platform.
- Apart from the above, successfully implemented the system to generate electronic invoices in-line with the regulator's (ZATCA) requirement.

مراجعة العمليات المساندة

HUMAN CAPITAL DEPARTMENT

Human cadres are the most important assets of Alkhabeer Capital, as we seek to attract the best expertise and competencies, as well as create a comfortable and stimulating environment for work and achievement. We also endeavor to develop specialized human capital capabilities in our various lines of business to bolster the Company's competitive advantage.

The Human Capital Department has taken deliberate steps during 2022 to ensure optimal levels of employment are achieved in many departments such as the Real Estate Department, the Capital Markets Department, the Brokerage Department and other departments, in addition to the departments specialized in support functions and providing support to the various divisions and departments of the Company. The total number of employees in 2022 was 91, with the rate of female staff members rising to 34% of total employees.

Alkhabeer Capital promotes a team spirit and encourages its employees to work as an integrated unit to best serve Alkhabeer Capital's clients within the framework of its flexible organizational structure, with the aim of building sustainable relationships which form the foundations of the Company's business philosophy.

2022 HIGHLIGHTS

- The Human Capital Department started implementing its education allowance policy, which was launched in 2021 to coincide with the commencement of Academic Year 2022-2023. This policy applies to all qualified employees of all grades.
- The Human Capital Department continued its intensified investments in training, development, guidance and cultural change management through its human capital assessment program which helps develop performance evaluation metrics under four basic categories, namely: achieving goals, implementing Company values, requisite leadership concepts, and future capabilities.

FINANCIAL REVIEW

This review provides a summary and analysis of Alkhabeer Capital's financial performance for the year ended 31 December 2022. The Notes of the Financial Statements provide additional relevant information.

REVENUES

Total revenue in 2022 increased by 10% to SAR 262.1 million compared with SAR 237.6 million for the previous year mainly driven by an increase in fee income.

Return on investments declined to SAR 169.3 million, reflecting a decrease of 7% from SAR 182.3 million in 2021, due to reduction from the gain from Investments at fair value during 2022.

Moreover, the contribution from management fees increased by 75% to SAR 86.6 million from 49.3 million in 2021. This is mainly due to higher subscription fees in 2022.

OPERATING EXPENSES

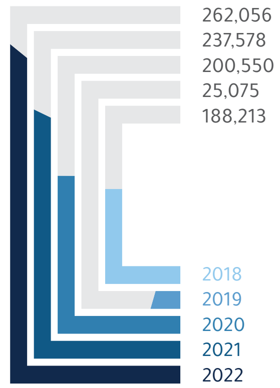
Total operating expenses increased by 7% to SAR 128 million compared with SAR 119 million for the previous year. Operating expenses-to-income ratio also decreased to 49% compared with 50% in 2021.

TOTAL REVENUES

262

SAR million

Total Revenue increased in 2022 by 10% YoY to SAR 262 million.

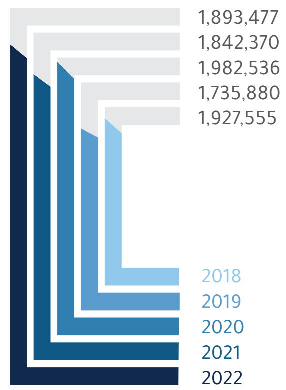


TOTAL ASSETS

1.89

SAR million

Total Assets reached SAR 1.89 billion as of 31 December 2022, up 3% YoY.



FINANCIAL POSITION / BALANCE SHEET

ASSETS

As of 31 December 2022, total assets stood at SAR 1,894 million, increased by of 3% over SAR 1,842 million at the end of 2021. mainly due to higher investments value.

The Investments portfolio increased by 13% to SAR 1,587 million in 2022 from SAR 1,409 million in the previous year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise balances with banks. The cash at banks balance declined by 47% to SAR 26.8 million in 2022 from SAR 50.8 million in the previous year, mainly due to financing investments purchased during the year.

ASSETS UNDER MANAGEMENT

Assets held on behalf of clients in a fiduciary capacity are not included in the balance sheet of Alkhabeer Capital.

Moreover, total assets held fiduciary capacity have increased to SAR 6,644 million from SAR 5,815 million at the end of 2021, due to new the establishment of new Funds during 2022.

As of 31 December 2022, the Company assets under management of SAR 8,084 billion vs. SAR 7,077 billion in 2021 an increase of 14%, due to new the establishment of new Funds during 2022.

LIABILITIES

Total liabilities decreased approximately by SAR 5 million to SAR 855 million in 2022, from SAR 860 million in the previous year, due to the decrease in the volume of credit facilities.

In 2022, Alkhabeer Capital had a Shari`a-compliant financing balance of SAR 237.4 million increased to SAR 218.7 million by 1163% compared to 2021 balance.

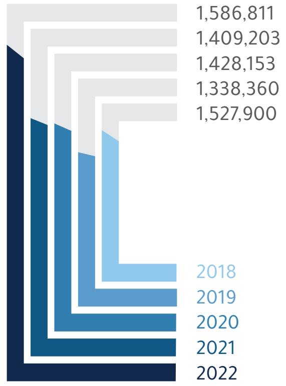
During 2022 Murabaha decreased by 45% to SAR 289 million bringing the balance of Murabaha to SAR 341 million at the end of 2022.

INVESTMENTS

1.59

SAR million

Investment rose in 2022 by 13% YoY to SAR 1.58 billion.

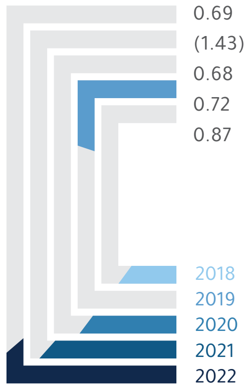


EARNINGS PER SHARE

1.02

SAR

Earnings per Share increased in 2022 by 25% compared to 2019 to reach SAR 1.02.

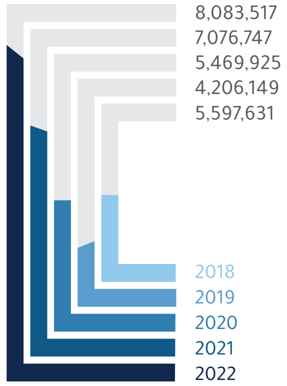


ASSETS UNDER MANAGEMENT

8.08

SAR billion

Total Assets Under Management reached SAR 8.08 billion as of 31 December 2022, up 14% YoY.

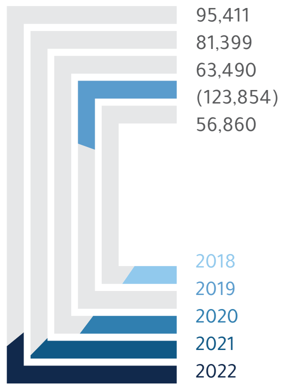


NET INCOME (EARNINGS) BEFORE ZAKAT AND INCOME TAX* (VAT)

95

SAR million

Net Earnings before Zakat and Income Tax increased by 17% to SAR 95.4 million.



FINANCING FOR FY 2022

The following table shows information related to Shari`a-compliant financing extended to the Company as of 31 December 2022: (in SAR, unless otherwise stated)

Name of Bank	Banque Saudi Fransi
Term of SAR Financing	7 years
Principal Amount of Financing	237,400,000
Repaid Amount	0
Outstanding Amount	237,400,000

For details on Alkhabeer Capital's outstanding debt as at the end of FY 2022, please refer to the notes related in the audited financial statements.

SHAREHOLDERS' EQUITY

At the end of 2022, Shareholders' Equity increased by 6% to SAR 1,038 million from SAR 983 million at the end of 2021. The increase was a result of the increase in returned earnings of Shareholders Equity due to high Net Profit for 2022.

CAPITAL ADEQUACY

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 2012, new Prudential Rules (the "Rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012, dated 17/02/1434 corresponding to 30/12/2012. The rules state that an authorized 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 the Prudential Rules.

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

CAPITAL ADEQUACY

(SAR '000)	2022	2021
Alkhabeer Capital Base	1,038,267	982,871
Total of the Minimum Capital Requirement	858,540	821,908

معدل كفاية رأس المال

(SAR '000)	2022	2021
Total Capital Ratio	1.21	1.20
Surplus Capital	179,727	160,963

RISK MANAGEMENT REVIEW

POTENTIAL RISKS AND RISK MANAGEMENT POLICY

The Risk and Governance Division is responsible for the day to-day oversight of the various risks to which Alkhabeer Capital is exposed, including credit, market, operational, regulatory, compliance and money laundering risks.

The division employs a wide range of risk assessment, analysis and reporting tools and state-of-the-art risk management models. Independent systems including Mubasher system and World-Check system for reporting anti-money laundering and regulatory compliance. In addition, an internal capital adequacy assessment model has been developed and implemented in line with CMA requirements. The Company's capital adequacy is monitored monthly covering historic and forecasted figures in order to ensure that the Company maintains adequate capital coverage.

COMPLIANCE AND MLR DEPARTMENT

While the ultimate responsibility of compliance lies with Alkhabeer Capital's Board of Directors, the Compliance and MLR Department is responsible for the day-to-day activities of compliance functions and is also responsible for setting the strategy and the action plan of the Compliance and MLR Department.

It is important to stress that compliance with regulatory and internal requirements is mandatory for all employees. The Executive Management ensures that all employees are aware of this duty and infuses a culture of commitment among all employees. It also ensures that compliance with regulatory requirements and adherence to the highest standards of professional conduct is observed at all times.

RISK DEPARTMENT

The Risk Department is responsible for the monitoring and approval of counterparty limits; the day-to-day identification, measurement and monitoring of the Company's exposure to market (including liquidity) risk; the update of all policies and procedures for all departments within the Company; and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any regulatory and operational risks. In addition, the Department is responsible for following up on all investment decisions by creating different controls to manage the quality of execution, the reporting of any exceptions, and streamlining the workflow of some processes to ensure the timely and proper execution of transactions.

On the Managed funds level, the Risk Department also monitors closely and sets the proper controls and measures to ensure that the Fund managers are managing the funds in line with the approved investment strategies and approved limits.

RISK AND GOVERNANCE FRAMEWORK

Alkhabeer's Board of Directors manages risks through Board Committees and Alkhabeer's Risk and Governance Division and the Compliance and MLR Department.

POTENTIAL RISKS AND RISK MANAGEMENT POLICY

Risk of varying depth and complexity is inherent in Alkhabeer Capital's activities, and is managed through a process of ongoing identification, measurement, and monitoring, and setting proper limits and controls.

CREDIT RISK

Credit risk refers to the risk where the counterparty may default on its contractual obligation resulting in a potential loss to the Company. Alkhabeer is not authorized to lend money in the form of loans or advances to its clients and, specifically margin lending is not currently practiced by Alkhabeer.

Therefore, the only credit risk Alkhabeer may be facing at present is in relation to counterparties, including banks and companies, as well as its investments in Alkhabeer's managed private funds. Alkhabeer adopts a credit strategy for monitoring and controlling the counterparty risk by setting limits for each counterparty in line with CMA's Prudential Rules and Alkhabeer's internal approved policies.

As a result of economic changes in the region, geopolitical risks may negatively affect the performance of companies and their ability to fulfill their obligations. These effects, at the core of the domestic economy, may be undetectable, but may have ripple effects, including the deterioration of corporate credit ratings, particularly for small and .medium enterprises

MARKET RISK

Market risk is the risk that results from the changes in market prices, interest rates / profit rates, equity prices and other Capital Markets securities. Alkhabeer invests in multiple asset classes that involve market risk due to their susceptibility to fluctuation in prices. Alkhabeer also invests in money markets, capital markets, real estate and private equity. Since Alkhabeer's business model is to seed its managed funds, the market risk exposure to such investments is monitored and managed by the Company through a disciplined investment policy set by the Board in which limits, parameters, processes and proper governance are detailed.

At the global level, on the other hand, heightened geopolitical risks have affected the markets and increased the volatility levels and this market volatilities are expected to continue. As for interest rates / profit rates, their continued rise will also have an adverse effect, especially on the cost of funds at Alkhabeer's corporate level, as well as at the level of managed funds and their underlying assets. AKC monitors closing the profits rates and takes appropriate measure to hedge the rates and mitigate such .fluctuations

LIQUIDITY RISK

Liquidity risk emerges as a result of the inability to manage unplanned shortage(s), changes to financing sources, or the failure to address market changes that affect the ability to liquidate assets quickly and with minimal loss. The efficient management of liquidity risk begins with the development of sound 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 to the management's Assets and Liabilities Committee, which applies various tools and engineering to ensure that the Company has sufficient liquidity levels to meet its future obligations.

OPERATIONAL RISKS

Operational risk relates to the potential for losses stemming from inadequate or failed internal control processes, human resources, systems, or external events. Operational risk includes exposure to legal risk, such as incurring fines, penalties or punitive damages resulting from regulatory actions against the Company or private settlements reached by the Company. Alkhabeer uses a set of tools to identify, measure and rectify operational incidents. In addition, Alkhabeer has a professional indemnity insurance policy that covers any loss resulting from unintentional lapses or system breakdowns.

CORPORATE GOVERNANCE REVIEW

CORPORATE GOVERNANCE REVIEW

Alkhabeer Capital's governance policy includes the principles that regulate the following aspects:

- Management and supervision of operations.
- Promotion of ethical and responsible decision-making.
- Timely submission of disclosures.
- Recognition of the legitimate rights of all stakeholders.
- Definition and management of risks.
- Encouragement and rewarding of improved performance in an equitable and responsible manner.

GOVERNANCE FRAMEWORK

Alkhabeer Capital's Corporate Governance framework consists of a code of business conduct, conflict of interest, strategy statement, compliance, succession planning, policies and operating procedures, internal control and risk management processes, internal and external auditing procedures, effective communications, disclosure and transparency.

CODE OF BUSINESS CONDUCT

Alkhabeer Capital has developed its code of business conduct to govern the conduct of its directors, executive management, and employees and to ensure that all procedures, actions, and behaviors are totally ethical, legal, and transparent.

CONFLICT OF INTEREST

Alkhabeer Capital did not, nor has it entered into, any contract in which any of its board members, the Chief Executive Officer, the Chief Financial Officer, or any of its partners has or had any material interest that has not been approved by the General Assembly. Refer to Note (7) of the Consolidated Financial Statements regarding related party transactions.

DISCLOSURE AND TRANSPARENCY

Alkhabeer Capital adopts comprehensive policies and procedures to ensure full compliance with the regulations of the Capital Market Authority of Saudi Arabia, and the laws and regulations issued by regulatory authorities in all jurisdictions where the Company conducts its activities. The Compliance Committee is responsible for ensuring compliance with relevant laws, and legal and administrative requirements.

STRATEGY STATEMENT

To support Alkhabeer Capital's continued growth and development, and in light of regional and global market changes, Alkhabeer's strategy clearly specifies the objectives of growth for revenues and profits, development of new business and products, geographic distribution of investments, and required professional competencies to achieve these objectives.

SUCCESSION PLANNING

The People Management Committee reviews and endorses the Company's succession plan on an annual basis. The objective of this plan is to identify, develop and promote employees to ensure that there are no disruptions to the functioning of Alkhabeer Capital in the event of personnel leaving the Company.

Risk Management Review

CONTROL FUNCTIONS

INTERNAL AUDIT UNIT

The Internal Audit Unit is an independent unit reporting to the Board's Audit Committee and consists of three members, two of whom are independent members. To raise the independence and effectiveness of the function, the Unit has an agreement with Protiviti Member Firm Saudi Arabia to execute the audits and report the results to the Audit Committee. The approved audit plan is implemented throughout the year, and all its recommendations are applied. The Audit Committee, Board of Directors and Executive Management are kept informed of the progress of implementation of the audit plan. The Internal Audit Unit also conducts special reviews or inquiries, as and when required.

RESULTS OF THE INTERNAL AUDIT OF THE COMPANY'S INTERNAL AUDIT SYSTEM

The Internal Audit Unit audited Alkhabeer Capital's operations during 2022, in accordance with the annual Audit Plan that was approved by the Audit Committee, to verify the effectiveness of the Company's internal control systems, to safeguard the Company's assets, and to evaluate the suitability of the Company's performance in mitigating risks. As a result of these audits and reviews, there were no fundamental weaknesses uncovered in the internal control systems of the Company.

The Internal Audit Unit has completed all planned audits for 2022. Additionally, follow up and closing of the findings identified during the reviews was one of the important tasks that the Internal Audit Unit focused on during the year.

AUDIT COMMITTEE'S OPINION ON THE ADEQUACY OF THE INTERNAL AUDIT SYSTEM

The Audit Committee has reviewed the books and records, internal audit reports, along with various meetings' minutes and data as relevant to our duties. The Audit Committee have found the Company's internal controls system and processes to be sound and effective, and did not uncover any fundamental weaknesses. It also found that the internal audit function was executed without any lapses. It also did not note any event of fraud during the year ended 31 December 2022.

COMPLIANCE AND MLR

The Compliance and MLR Department is responsible for the day-to-day activities of the Compliance functions and is also responsible for setting the strategy and planning the Compliance work. It is important to stress that all employees have a duty in respect of compliance. The Management must ensure that all employees are aware of this duty and that a commitment to compliance exists throughout Alkhabeer. At all levels, compliance with all regulatory requirements and observance of the highest standards of business conduct are followed.

RISK DEPARTMENT

The Risk Department is responsible for the day-to-day identification, measurement and monitoring of the Company's exposure to credit, operational and market (including liquidity) risk, the update of all policies and procedures for all departments within the Company, and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any operational regulatory risks. In addition, the Department is responsible for following up on all the Company's investment decisions by creating different controls to manage the quality of execution, reporting any exceptions and streamlining the workflow of many processes to ensure their timely and proper execution.

LEGAL

The Legal Department plays a pivotal role in ensuring the integrity of the Company's operations and products, and protecting its rights and those of its clients, internally and externally, while also ensuring the implementation of best legal practices. The Department's functions include, without limitation, the provision of accurate legal advice on Alkhabeer's investment and management activities; follow-up on the progress of disputes, settlements and legal proceedings in courts at all levels and with any other agencies having legal jurisdiction; preparation of legal studies of interest to the Company; drafting agreements between the Company and other entities; and organizing periodic seminars for Company employees to familiarize them with laws and new legislations and assist them in their implementation.

FINANCE AND ACCOUNTING

The Finance and Accounting Department is responsible for financial planning and periodic reporting, financial control and protection of Company assets, payments, recording and bookkeeping, follow up of Zakat and income tax, and coordination with various external entities including the external auditors. The Department also monitors the implementation of the Company's strategic plan on a monthly basis to ensure that the actual financial performance is in line with the business plan of each area of operation. Any deviations from the plan are detected at an early stage, and appropriate remedial action is proposed and followed up.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

At Alkhabeer Capital, we have an unwavering commitment to society. This drives us to assume an active role in balancing between our growth and success, and the welfare of the society and safety of the environment we operate in.

We realize that our responsibility towards society indirectly benefits the company's employees and its work environment.

Alkhabeer Capital's social responsibility activities are rooted in three main pillars: people, knowledge and the environment. The process of developing the company's social responsibility strategy continued throughout this year to reinforce our commitment to acting responsibly towards society.

2022 HIGHLIGHTS

Environmental Activities

The company continued to execute on its "Planting 1,000 Trees in 2022" initiative. The initiative was launched in 2020 to counter balance the negative impact of [its] paper consumption, in a strong move towards the preservation of natural resources and advocacy for sustainable development.

Alkhabeer Internship Program

Alkhabeer Capital has introduced a training program for students pursuing studies in fields related to the company's line of business. Enrolled students have an opportunity to develop their existing knowledge and to implement it in a professional setting, under the supervision of a specialized mentor. Upon successful conclusion of the program, each trainee is awarded a certificate of completion that states the duration of the training, as well as, the overall performance and experience standing of the respective trainee.

BOARD OF DIRECTORS' REVIEW

BOARD OF DIRECTORS' REVIEW

Alkhabeer Capital's Board of Directors is comprised of prominent leaders in the business sector, who contribute to the success of the Company's business and projects by harnessing their knowledge, experiences and network of relationships in the service of the Company. The composition of the Board of Directors reflects a balance between the executive, non-executive and independent members. The Board of Directors currently includes three independent members.

The Board of Directors held six periodic meetings in 2022. The Board performs a pivotal and vital role in determining the Company's strategic direction and ensuring its implementation, within a framework of controls and incentives exercised via the Board's permanent committees: The Board's Investment Committee, the Audit Committee, the Nomination & Remuneration Committee, the Risk Committee and the Compliance Committee.

Directors' Responsibilities in Relation to Financial Statements

The Board of Directors, to the best of its knowledge in all material aspects, assures the shareholders and all other stakeholders, that:

- Alkhabeer has properly maintained sound accounting records,
- The internal control system was properly prepared and effectively implemented, and
- There is no doubt that Alkhabeer has the capacity to continue its business activity.

Board Members' Profiles

Ammar Ahmed Shata

Chairman of the Board
Member of the Board's Investment Committee
Member of the Board's Risk Committee

Ammar Ahmed Shata is the founder of Alkhabeer Capital. Ammar founded Alkhabeer Capital after holding a number of leadership positions in blue chip market sector companies including National Commercial Bank (rebranded Saudi National Bank) and Islamic Development Bank.

Ammar has more than 30 years of experience in corporate banking, Islamic finance, asset management and private equity. He began his investment banking career in 1990 taking on the key role of innovatively converting conventional finance products into Shari'ah compliant products.

Ammar has an outstanding track record of successful experience in global capital markets, and is renowned in economic and banking circles for his creative thinking, futuristic vision and ability to foresee domestic and global economic transformation and its present and future effects on the markets.

Member of the Advisory Council to the Islamic Economics Institute at King Abdulaziz University in Jeddah. He holds a Bachelor Degree in Electrical Engineering and a Master's Degree in Financial and Economic Planning from the University of Southern California, USA. He is also a Chartered Financial Analyst (CFA) Charter Holder.

Musaad Mohammad Aldrees

Vice Chairman
Member of the Board's Investment Committee

Musaad Mohammad Saad Aldrees is a longstanding and renowned businessman. He has played a leading role in developing and expanding a group of family companies in various business sectors. He was an active member of the board of executive directors at the Saudi American Glass Factory, which was acquired by Dubai Investment Company.

He was also a member of the boards of executive directors of Mohammad Saad Aldrees and Sons Limited Company (which later became a public company and was listed on the Saudi Stock Exchange), Mohammad Saad Aldrees Sons Limited Company, Mohammad Saad Al Drees Sons Holding Company and Aldrees Industrial & Trading Company (ALITCO), a closed joint stock company.

In addition to completing various training courses in KSA, the USA and the UK, Musaad is a graduate of the Institute of Public Administration in Riyadh, Saudi Arabia.

Saeid Mohamed Binzagr

Member
Chairman of the Board's Investment Committee

Saeid Mohamed Binzagr has over 23 years of experience in commerce and industry. He is the Chairman of the Board of Directors of Avon Beauty Arabia LLC, the Chairman of the Board of Directors of Binzagr Barwil Marine Transport Company, the President and Chief Operating Officer of Abdullah & Saeid M.O. Binzagr Company Limited, the Co-President of Binzagr Factory for Insulation Materials Company.

He is also a Board member of Said M.O. Binzagr & Partners Company Limited, Binzagr Co-Ro Limited, Binzagr Unilever Limited and the International Marketing & Communications Company Limited and a Board member and the founder of Diyar Al-Khayyal Company.

Saeid holds a Bachelor of Science from Linfield College, Oregon, USA.

Board Members' Profiles

Mohanad Haydar Binladin

Member
Member of the Audit Committee
Member of the Board's Compliance Committee

Mohanad Haydar Binladin is a top executive at Mohammed Binladin Company, currently holding the position of Assistant General Manager of Administration and Finance, as well as Acting General Manager of Investments Division. Previously, he served as Chief Accountant for Binladin Industrial Co. Mohanad is the owner of Cultural Thought Est. and the founder and partner in Nutrition Zone L.L.C and Zileej DMCC, an Emirati company specialized in computer software development. He is also a Board director of Zileej DMCC and Sky Steel Systems in the UAE, and Makani Bayn Alkhotoot, a Saudi company specialized in parking management and services.

Mohanad holds a Master's Degree in Innovation and Technology Management from the Grenoble Graduate School of Business, France, and a Bachelor's Degree in Finance from King Fahad University of Petroleum & Minerals, KSA.

Samer Sami El Solh

Member
Member of the Board's Investment Committee

Samer Sami Al-Solh is the Chief Investment Officer at Bahamdan Group. He previously held the position of Head of Infrastructure Investments at Al Muhaidib Group, and was a seed investor and the Chief Financial Officer and Advisor at Inner Wear Company. He also served as Managing Director of Shuaa Capital. Samer also held several positions at CITI Company as Portfolio Manager, Senior Dealer and other positions.

He holds a Bachelor of Science in Electrical and Electronics Engineering from Cornell University, a Master in Business Administration and Finance from Massachusetts Institute of Technology (MIT), and a Master in Engineering from the School of Operations Research and Information Engineering at Cornell University.

Dr. Issam Zaid Mohammed Al Tawari

Independent Member
Chairman of the Audit Committee

Dr. Issam Zaid Mohammed Al Tawari is an Islamic finance expert and currently serves as the Managing Partner of Newbury Economic Consulting that he established in Kuwait. He is also a partner in EMARK Consulting and Training, and Advisor to the Chairman of the Board of the International Investor Company in Kuwait. He was also the Founder of Rasameel Structured Finance Company in Kuwait, where he served as the Chairman and the Managing Director. Issam has held several senior positions in various prominent institutions, including the Chairman of the Board of Ain Takaful Insurance Company and Sorooh Investment Company, and a Board director at Dubai Wire Company and Kuwait Catalyst Company, among others.

Issam holds a Bachelor's Degree in Economics & Business Administration from the University of Kuwait, an MBA from the University of Hull in the United Kingdom and a PhD in Business Administration from Durham University in the United Kingdom.

Board of Director's Review

Board Members' Profiles

Mohammed Abdulrahman Moumena

Independent Member
Member of the Board's Risk Committee
Member of the Nomination & Remuneration Committee

Mohammed Abdulrahman Moumena is an accomplished senior executive with valuable experience in a wide range of challenging business sectors. With more than 20 years of experience, he has established his reputation as a business leader and thinker in Saudi Arabia and the wider Middle East. Mohammed currently holds the position of Managing Partner at Edward W Kelley & Partners. He is an independent Board director and the Chairman of the Risk Management Committee at Fransa Invest Bank. He is also an independent Board member and the Chairman of the Nomination & Remuneration Committee of the Middle East Healthcare Company (the Saudi-German Hospital in KSA), and at Initial Saudi Arabia Company. Mohammed also acts in a non-executive capacity for several other companies and charitable organizations.

Mohammed holds a Bachelor's Degree in Marketing from King Fahad University of Petroleum and Minerals, KSA.

Dr. Lama Abdulaziz Al Solaiman

Independent Member
Chairman of the Board's Compliance Committee

Dr. Lama Al Solaiman is a shareholder and Vice Chairman of Rolaco Holding SA in Luxemburg, Vice Chairman of Kingdom Holdings Investments, Board's Member of the Committee for the Development of Jabal Al Laith, Member of Coutts Bank Advisory Board in the United Kingdom, Member of the Advisory Board of Effat University and Board Member of the Saudi Tennis Federation. Prior to that, she was a Board Member of Club Med, France, a former Board Member of Foras Investment, Saudi Arabia, Board Member of Saudi General Entertainment Authority and Member of the B20 Executive committee hosted in Saudi Arabia 2020. She was also the Vice Chair and a Board Member of Jeddah Chamber of Commerce in Jeddah, Saudi Arabia, as well as a Board Member of the Khadijah Bint Khuwailed Lobbying Center for Women.

She holds a PhD and Master in Health and Nutrition from King's College of London, and a Bachelor in Biochemistry from King Abdulaziz University.

Ahmed Saud Hamza Ghouth

Member & CEO
Member of the Board's Risk Committee
Member of the Board's Compliance Committee
Member of the Board's Investment Committee

Ahmed Saud Ghouth is the Chief Executive Officer of Alkhabeer Capital. He has around 20 years of experience in investment banking, asset management, and Islamic corporate banking, which he gained in leadership roles in Alkhabeer Capital, as well as the experience gained during his employment at National Commercial Bank (rebranded Saudi National Bank), a leading financial institution in the Kingdom of Saudi Arabia.

Ahmed is a member of the Investment Committee of NEOM Energy and Water Company (ENOWA). He also holds the position of Chairman of Saudi Innova Healthcare Company and Vice Chairman of AME Company for Medical Supplies in Saudi Arabia.

He holds a Bachelor in Accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia.

Organizational Structure of Alkhabeer's Board of Directors and classification of its Members

The table below shows the organizational structure of Alkhabeer's Board of Directors and the classification of its members as at the end of 2022, in addition to the names of companies in which the Board member is also a member of their boards:

Member's Name	Member's Classification	Membership in Boards of Directors of Other Companies (Listed or Non-Listed) or Management Position(s) Held
Ammar Ahmed Shata (Chairman of the Board)	Non-Executive	Chairman of the Board, AME Company for Medical Supplies Chairman, Integrated Development Company for Education and Training Chairman of the Board, Ghutra Digital Company Chairman of the Board, VRMADA Founder, Tarteeb Professional Consulting Company Independent Member of the Board of Directors of Saad Hussain Bin Dajam Group
Musaad Mohammad Saad Aldrees (Vice Chairman)	Non-Executive	Not a member of the board of directors of any other listed or non-listed company
Saeid Mohamed Binzagr (Vice Chairman)	Non-Executive	President and Chief Operating Officer of Abdullah & Saeid M.O. Binzagr Company Limited Chairman of the Board, Avon Beauty Arabia Company Chairman of the Board, Binzagr Barwil Marine Transport Company Member of the Board, National Life & General Insurance Company SAOG, Sultanate of Oman Member of the Board, Binzagr Co-Ro Company Member of the Board, Binzagr Unilever Limited Member of the Board, Abdullah & Saeid M.O. Binzagr Company Limited Member of the Board, Binzagr Factory for Insulation Materials Company Member of the Board, Binzagr Company Member of the Board and Founder, Diyar Al-Khayyal Company Member of the Board, International Marketing & Communications Company Limited Member of the Board, Binzagr Company for Industrial and Commercial Investments Limited
Samer Sami Al Solh	Non-Executive	Chairman, Sara Commercial Company Member of the Audit and Risk Committee, Health Water Bottling Co. Ltd. (NOVA)
Mohanad Haydar Binladin	Non-Executive	Manager, Zileej DMCC Manager, Makani Bayn Alkhotoot Director, First Specialists for Energy Systems LLC Member of the Board, Sky Steel Systems
Dr. Issam Zaid Al Tawari	Independent	Director and Partner, Newbury Economic Consulting LLC Director and Partner, Moods International General Trading Company LLC Member of the Board, 19 Cleveland Square Limited Member of the Board, Kuwait Catalyst Co. Member of the Board, Venture Capital Bank, Bahrain
Mohammed Abdulrahman Moumena	Independent	Independent Chairman of the Board, Fad International Company (Closed Joint Stock Company) Independent Member of the Board, Middle East Healthcare Company Member of the Board, Al-Wedad Charity Foundation Independent Member of the Board, Samir Trading and Marketing Company Independent Member of the Board, Al Mahmal Facilities Services Company Managing Partner, Edward W. Kelley & Partner LLC Member of the Board, Okaz Organization for Press and Publications
Lama Abdulaziz Al Sulaiman	Independent	Shareholder and Vice Chairman, Rolaco Holding SA Vice Chairman, Kingdom Holding Investments Member of the Board, Jabal Al Laith Development Member of the Middle East Advisory Board, Coutts Bank, United Kingdom Member of the Board, Saudi Tennis Federation
Ahmed Saud Ghouth	Executive	Chairman of the Board, Saudi Innova Healthcare Company Chairman of the Board, Aljazirah Rent a Car Chairman of the Board, Al-Jawad Plastic and Flexible Packaging Factory Co. Vice Chairman, AME Company for Medical Supplies, Saudi Arabia Member of the Board, Express Publishing and Investment Member of the Board, Integrated Development Company for Education and Training

Board Members' Attendance

The Board of Directors held six meetings during 2022. The following table shows attendance at each Board meeting:

Member's Name	First Meeting	First Additional Meeting in 2022	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Total
	28 February	27 April	01 June	29 June	31 October	21 December	6
Ammar Ahmed Shata	Attended	Attended Electronically	Attended Electronically	Attended	Attended	Attended	6
Musaad Mohammad Aldrees	Attended	Attended Electronically	Attended	Attended	Attended	Attended	6
Saeid Mohamed Binzagr	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Excused Absence	Attended	5
Mohanad Haydar Binladin	Attended	Attended Electronically	Attended Electronically	Attended Electronically	Attended	Attended	6
Samer Sami Al Solh*	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Excused Absence	Attended Electronically	5
Dr. Issam Zaid Al Tawari	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	Attended	Attended	6
Mohammed Abdulrahman Moumena	Attended	Attended Electronically	Attended Electronically	Excused Absence	Attended	Attended	5
Lama	Attended	Attended Electronically	Attended Electronically	Attended	Attended	Attended Electronically	6
Ahmed Saud Ghouth	Attended	Attended	Attended	Attended	Attended	Attended	6

Attended   Attended Electronically   Excused Absence

Shareholdings of Board Members, Top Executives and Related Persons

The following table shows any interest in Alkhabeer Capital owned by the Board Members, Top Executives and any person related to them, and any change in such interest during FY 2022:

emaN	Classification	Related Person	Number of Shares as at the Beginning of 2022	Percentage Shareholding as at the Beginning of 2022	Number of Shares as at the End of 2022	Percentage Shareholding as at the End of 2022
Ammar Ahmed Shata	Chairman of the Board	-	1,057,115	1.18%	1,362,257	1.52%
Musaad Mohammad Aldrees	Vice Chairman of the Board	-	1,760,000	1.96%	1,760,000	1.96%
Saeid Mohamed Binzagr	Director	(Father) Mr. Mohammed Obeid Saeid Binzagr*	2,337,500	2.61%	2,337,500	2.61%
Saeid Mohamed Binzagr	Director	Abdullah & Saeid M.O. Binzagr Company **	6,875,000	7.68%	6,875,000	7.68%
Ahmed Saud Ghouth	Chief Executive Officer	-	269,385	0.30%	269,385	0.30%

* Includes (2,337,500) shares owned by (the father) Mr. Mohammed Obeid Saeid Binzagr.

** Includes (6,875,000) shares owned by Abdullah & Saeid M.O. Binzagr Company, in which Mr. Saeid Mohamed Obeid Binzagr and his father Mr. Mohammed Obeid Saeid Binzagr jointly own an indirect interest of 12.79% through their ownership of a share in Binzagr Company for Industrial and Commercial Investments Ltd.

Board of Director's Review

Business Activities, Contracts and Transactions with Related Parties

During its ordinary business cycle, Alkhabeer Capital transacts business with related parties. The Company and the Board of Directors find that transactions with related parties are executed on similar terms as transactions with other parties. Transactions with related parties are subject to the limits provided in the laws, regulations and instructions issued by the regulatory authorities concerned in the Kingdom of Saudi Arabia, as well as the best corporate governance practice adopted by the Company in the performance of its business activities. The annual financial statements contain a note on financial transactions with related parties.

During the fiscal year ending 31 December 2021, the Ninth Extraordinary General Assembly, held on 26 April 2021, pre-approved the elimination of the position of the Company's Executive Director, to take effect as from the Board's next term which starts on 3 January 2022. As such, the Extraordinary General Assembly approved, during the same meeting, the signing of an advisory contract with Mr. Ammar Ahmed Shata, the Executive Director, for a term of one year starting 3 January 2022 after the elimination of the Executive Director's position in accordance with the General Assembly's resolution. The Board's Nomination and Remuneration Committee with the authority vested in it by the Board of Directors, has reviewed the advisory contract to ascertain that it did not contain any preferential conditions and benefits. The value of the aforementioned advisory contract totaled SAR 1.2 million.

Apart from that, the Board acknowledges that there are no business activities and/or contracts to which the Company was a party. Moreover, neither the Chairman nor any member of the Board Directors, the Chief Executive Officer or any person directly related to any of them, has or had any direct and/or indirect material interest in any such business activities, contracts and/or transactions, other than what was disclosed in the statement of transactions with related parties.

Board Committees

The Board of Directors has five main committees whose membership was formed by the Board: The Audit Committee, the Nominations and Remuneration Committee, the Investment Committee, the Risk Committee and the Compliance Committee. These committees play an important role in assisting the Board of Directors to perform its assigned regular duties. The following is a short description of the competencies and tasks of the Board's main committees, as well as the structure of their members and the number of their meetings held during 2022.

Member's Name	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Total
		27 February	30 May	28 September	13 December	4
Saeid Mohamed Binzagr	Chairman	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	4
Ammar Ahmed Shata	Member	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	4
Musaad Mohammad Aldrees	Member	Attended Electronically	Attended	Attended	Attended Electronically	4
Samer Sami Al Solh	Member	Attended Electronically	Attended Electronically	Attended Electronically	Attended Electronically	4
Ahmed Saud Ghouth	Member	Attended	Attended	Attended	Attended	4

Attended   Attended Electronically   Excused Absence

Audit Committee

The Audit Committee supports the Board's supervisory functions in ensuring the integrity of financial statements, the qualification and independence of the independent external auditors and the sound performance of the Company's Internal Audit function. The Audit Committee held four meetings during 2022. The following table lists the attendance in each meeting:

Member's Name	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Total
		24 February	28 June	27 September	20 December	4
Issam Zaid Al Tawari	Chairman	🔵	🟢	🟢	🔵	4
Mohanad Haydar Binladin	Member	🔵	🟢	🟢	🔵	4
Othman Mohammed Bafaqih	Member	🔵	🟢	🟢	🔵	4

🔵 Attended 🟢 Attended Electronically 🔴 Excused Absence

Board's Nomination and Remuneration Committee

The Board's Nomination and Remuneration Committee is responsible for overseeing the development and implementation of a clear and fair policy for remunerating the members of the Board of Directors and the Executive Management. The Committee also oversees the performance evaluation of the Board of Directors and Board committees. In addition, the Nomination and Remuneration Committee monitors disclosures related to remuneration granted in accordance with regulatory requirements, using annual reports and statements. Moreover, the main responsibilities of the Committee include recommending nominations and re-nominations for membership of the Board of Directors and Board committees.

Reformation of the Committee

To ensure the independence of the Committee and implement the highest standards of good governance which Alkhabeer applies in conducting its business, the Board of Directors of Alkhabeer Capital has resolved by circulation on 23 August 2022 to restructure the Committee to be comprised of independent directors from within and outside the Board of Directors, as shows in the below table. The new formation was applied effective as of the date of the Resolution. These amendments shall be reflected in the Committee's charter.

The following table lists the attendance of the Committee meetings in 2022:

Member's Name	Position	First Meeting	Second Meeting	Third Meeting	Total
		27 February	02 October	20 December	3
David Huntley	Chairman - Independent Non-Board Member	🟢	🟢	🔵	3
Jack Bladen	Independent Non-Board Member	🟢	🟢	🔵	3
Mohammed Abdulrahman Moumena	Member	Not a Committee Member	🟢	🔵	2
Ammar Ahmed Shata	Member	🟢	No longer a Committee Member	No longer a Committee Member	1

🔵 Attended 🟢 Attended Electronically 🔴 Excused Absence

Board's Risk Committee

The Board's Risk Committee oversees the risk management function in the Company and ensures Management's awareness and understanding of the Company's material risk exposures. It also develops a strategy to ensure implementation of comprehensive policies and procedures capable of managing these risk and operations and maintain an acceptable risk level, subject to authority limits as may be defined by the Board of Directors. The Committee also reviews action taken to ensure the implementation of a complete risk management organization structure. The Committee held four meetings in 2022. The following table lists the attendance in each meeting:

Member's Name	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Total
		27 March	1 June	30 October	18 December	4
Abdulkader Thomas	Chairman - Independent non Board Member	🟢	🟢	🔵	🔵	4
Ammar Ahmed Shata	Member	🟢	🟢	🟢	🟢	4
Mohammed Abdulrahman Moumena	Member	🔴	🟢	🔵	🔴	2
Ahmed Saud Ghouth	Member	🔵	🔵	🔵	🔵	4

🔵 Attended 🟢 Attended Electronically 🔴 Excused Absence

Compliance Committee

The main purpose of the Board's Compliance Committee is to assist the Board in overseeing the compliance program in respect of compliance with the laws and regulations issued by the Capital Market Authority and Saudi Tadawul, provide good advice to Management on best compliance practices, as well as ensure that Alkhabeer Capital's internal policies and procedures are in line with applicable regulations.

The Committee held four meetings in 2022. The following table lists the attendance at each meeting:

Member's Name	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Total
		20 February	22 May	26 July	24 October	4
Dr. Lama Abdulaziz Al Sulaiman	Chairman	🟢	🔵	🟢	🔵	4
Mohanad Haydar Binladin	Member	🟢	🟢	🟢	🟢	4
Ahmed Saud Ghouth	Member	🔵	🔵	🔵	🔵	4
Ibrahim Shukri Saad	Member	🔵	🔵	🟢	🔵	4
Ziad Adeeb Elias	Member	🔵	🔵	🔵	🔵	3

🔵 Attended 🟢 Attended Electronically 🔴 Excused Absence

Shari'ah Supervisory Board

Shariyah Review Bureau W.L.L. oversees the Shari'ah advisory activities at Alkhabeer Capital, and advises on product offerings and structuring, issues compliance certificates (fatwa) and conducts Shari'ah supervisory audits. Shariyah Review Bureau employees around 33 reputable Shari'ah scholars in various countries, including the Kingdom of Saudi Arabia, Malaysia, Algeria, Egypt, UAE, Sudan and Kingdom of Bahrain. The Shari'ah Supervisory Board provides the Company with Shari'ah guidelines and approvals in relation to the products which the Company asks the Shari'ah Supervisory Board to review and express Shari'ah opinion. The Shari'ah Supervisory Board also provides Shari'ah compliant consultation and solutions to cater to the Company's strategic business needs.

Disclosure of Remuneration and Compensation

The table below shows the details of the remuneration and compensation paid to the members of the Board of Directors, and five of the senior executives who received the highest remuneration and compensation, including the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer:

Description	Board Executive Directors (SAR)	Board Non-Executive Directors (SAR)	Board Independent Directors (SAR)
Allowance for attending committees	0	0	0
Allowance for attending sessions	0	0	0
Periodic and annual remuneration	0	1,420,000	735,891
Incentive plans	0	0	0
Any other compensation or in-kind benefits payable monthly or annually	0	0	0
Total	0	1,420,000	735,891

Description	Five of the Senior Executives who Received the Highest Remuneration and Compensation, Including the Executive Director, the Chief Executive Officer and the Chief Financial Officer (SAR)
Salaries and compensation	6,604,128
Allowances	2,325,872
Periodic and annual remuneration	10,107,100
Incentive plans	3,570,900
Commissions	500,000
Any other compensation or in-kind benefits payable monthly or annually	-
Total	23,108,000

The data listed in the above table includes the following:

- Salaries and Compensation: Includes basic salary and fixed incentives.
- Allowances: Include housing and transport allowances.
- Periodic and Annual Remuneration: Includes annual incentives paid in cash.
- Incentive Plans: Include deferred remuneration, in accordance with the Company's Remuneration Policy.
- Any other compensation or in-kind benefits payable monthly or annually: Includes non-cash benefits payable to the employee.

Any arrangement or agreement by which any Board Member or senior executive is assigned any remuneration or compensation:

The Company has no knowledge of any arrangements or agreements pertaining to any assignment of salaries, remuneration or compensation by any Board member or senior executive.

Executive Management Committees

The Executive Management is supported by the following Management Committees:

Investment Committee

The Investment Committee (IC) has an overall responsibility for reviewing and approving investment proposals within the authority levels as mandated via Alkhabeer's authority matrix, and ensures that up-to-date policies and procedures are in place.

The Investment Committee's sub-committees are:

- Assets and Liabilities Management Committee.
- Product Development Committee.
- Capital Markets Investment Committee.

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee (ALMC), which is chaired by the Chief Executive Officer, is the committee responsible for recommending the development of policies relating to the management of all assets and liabilities (balance sheet structure, funding structure and hedging and investment limits) under the overall risk management framework. ALMC plays a crucial role in the liquidity risk management within Alkhabeer.

Product Development Committee

The purpose of the Product Development Committee is to assist Alkhabeer's business lines in making enlightened decisions with regards to the introduction of new products or services, improvement of existing products or services and supervision of the product development process.

Capital Markets Investment Committee

The primary responsibility of the Capital Markets Investment Committee is to contribute to the review and analysis of the domestic and global economic environment, the analysis of domestic and world capital markets, the management of all fund investments and the review of discretionary portfolio management products.

Enterprise Risk Management Committee

The primary responsibility of the Enterprise Risk Management Committee is to ensure that sound policies, procedures and practices are in place for the enterprise-wide management of the Company's credit, market and operational risks.

Human Resources Management Committee

The Human Resources Management Committee is responsible for periodically reviewing and monitoring the development of Alkhabeer's Human Capital. The Committee also identifies key critical positions, and ensures that a succession plan is developed and put in place, and that the scale of remuneration is in line with the marketplace.

Information Technology Committee

The Information Technology Committee is a management committee whose primary purpose is to approve the Company's IT strategy and supervise its implementation. The Committee is also responsible for supervising the IT functionality from a business and risk management point of view, and ensuring proper segregation of duties (Chinese Walls) in line with compliance requirements. Additional responsibilities include ensuring that the IT policy and procedures are regularly updated, supervising the management of critical information in line with the Business Continuity Plan (BCP) and ensuring that the Disaster Recovery Plan (DRP) is tested at least once a year.

Business Continuity Management Committee

The Business Continuity Management Committee's main objective is to ensure the effectiveness of the Company's Business Continuity Plan and the safety of the Company's employees in case of a disaster (God forbid). In addition, the Committee is responsible for implementing a yearly emergency drill for evacuation of the Company's head office, in line with CMA's instructions.

Corporate Social Responsibility Committee

The main objective of the Corporate Social Responsibility Committee, chaired by the Head of Administration Services, is to develop a clear and practical strategy for the social responsibility programs adopted by the Company and oversee the implementation of that strategy.

EXECUTIVE MANAGEMENT

Ahmed Saud Ghouth
Chief Executive Officer

Hisham Omar Baroom
Deputy Chief Executive Officer

Tamer Abdelraheem
Chief Financial Officer

Ziad Nawfal
Chief Investment Officer

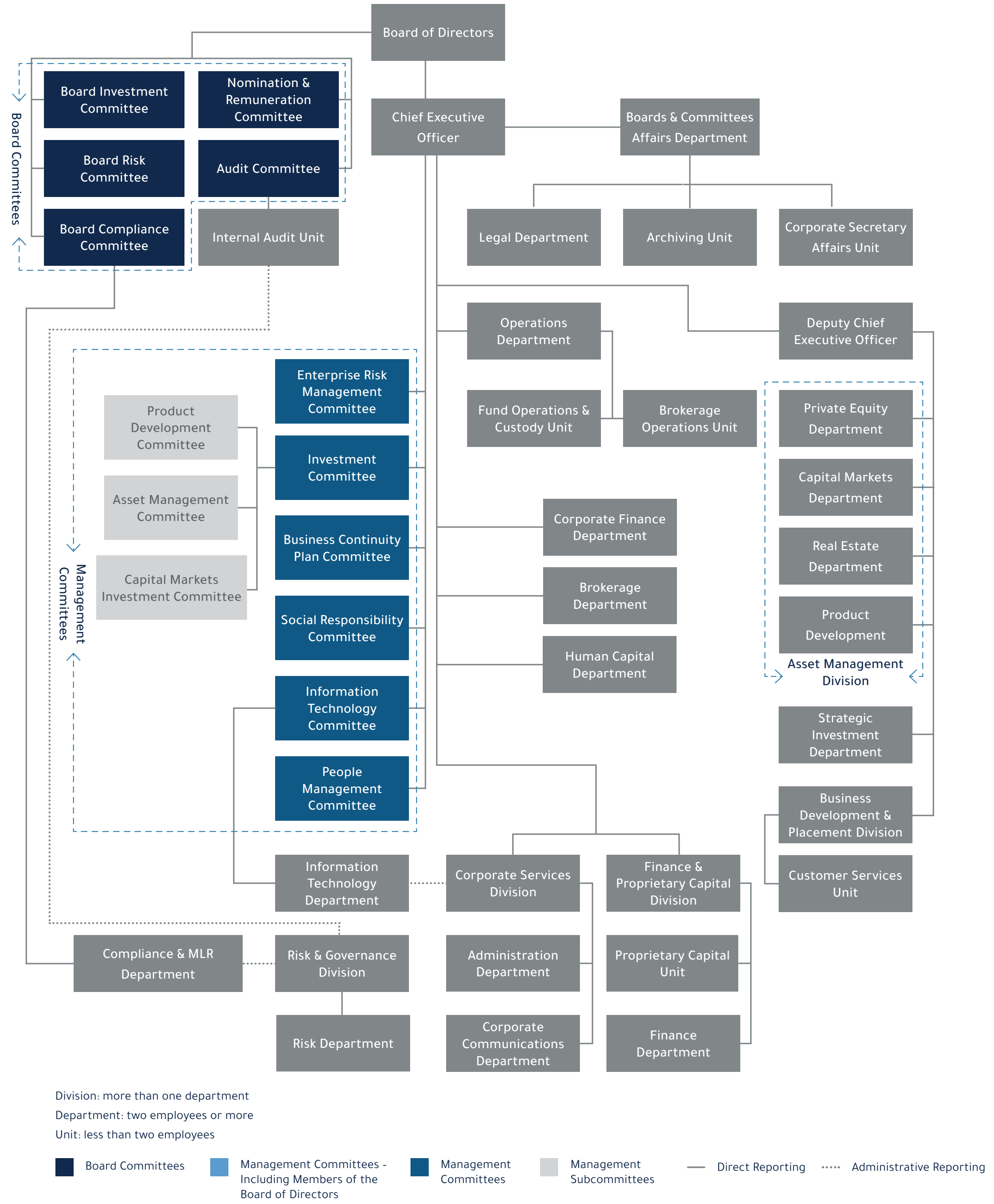
Ibrahim Saad
Head of Risk and Governance Division

Alkhabeer Capital الخبير المالية

ORGANIZATIONAL STRUCTURE

ORGANIZATIONAL STRUCTURE

Alkhabeer Capital's flat and flexible organizational structure encourages a collaborative environment for internal teams and clients alike. This has, in turn, enabled us to build strong enduring relationships that form the bedrock of company our business philosophy.



SHARI'A REVIEW REPORT

AKC-1200-71-02-03-22

SHARIYAH REVIEW BUREAU

بسم الله الرحمن الرحيم

Annual Shari'a Committee's Report to the Shareholders of Alkhabeer Capital

Praise be to Allah, Lord of the worlds, and peace and blessings be upon Mohammed, the leader of Prophets and Messengers, and upon his family and Companions, and upon those who follow his Guidance until the Day of Judgment.

It is our pleasure to present to you the Shari'a Committee's Report for Alkhabeer Capital (hereinafter 'Company'). In compliance with the letter of appointment we the undersigned have reviewed the Company's business & activities for the year ended 31st December 2022.

The prime responsibility for ensuring compliance with Shari'a standards and rules in all activities and business operations lie with the Company management. It is our responsibility to present an independent opinion of the Company's operations and to communicate it to the Shari'a Committee.

We have reviewed all products, transactions, agreements and pertinent documentation adopted by the Company during year ended 31st December 2022 and an audit was conducted upon Company's activities as detailed in the Shari'a Audit report which was performed to ensure that the Company's activities were in compliance with the set rules, principles and guidelines in addition to soliciting all information, documentations that were deemed necessary to reach to sound conclusions.

Based on the above and taking in consideration the recommendations set out in the Shari'a Audit report, it is our opinion that the reviewed transactions, related documentation & processes, business activities and dealings entered into by the Company during the year ended 31st December 2022 are in compliance with the Islamic Shari'a Rules, Principles and Guidelines.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Sh. Muhammad Ahmad Sultan
Chairperson - Shari'a Scholar
April 5, 2023

SHARIYAH REVIEW BUREAU

Alkhabeer Capital
الخبير المالية

FINANCIAL REPORT

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الخبير المالية
Alkhabeer Capital

Auditor's Report

AUDITOR'S REPORT

EY
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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

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.

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

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

	رأس المال Share capital SR '000	Statutory reserve SR '00	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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 DECEMBER 2022

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.

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. 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").

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.

2.4 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

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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.

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.

2.5 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.

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.

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.

3.5 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.

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.

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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.

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.

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.

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.

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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.

3.12 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.

3.15 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.

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.

4.2 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.

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.

4.10 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.

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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	
Transaction with investee entities	**31 December 2022 SR '000**	31 December 2021 SR '000	**31 December 2022 SR'000**	31 December 2021 SR'000
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

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 SR '000	For the year ended 31 December 2021 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 SR '000	For the year ended 31 December 2021 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

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

NAME OF INVESTEE ENTITIES	31 December 2022 SR '000 %	31 December 2021 SR '000 %
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%

b) Breakdown of investments by sector is as follows:

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

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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.

	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**	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 2022	**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		2.77%
+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

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

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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

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

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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 EXPENSESS

	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.

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 SR'000**	**Expected credit los SR'000**	Exposure at default SR'000	Expected credit loss 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 2021					
	Current SR'000	**< 1 Year SR'000**	**1-2 Years SR'000**	**2-3 Years SR'000**	**> 3 Years SR'000**	**Total 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 SR'000	< 1 Year SR'000	1-2 Years SR'000	2-3 Years SR'000	> 3 Years SR'000	Total 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

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.

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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).