

REKAZ NATIONAL CAPITAL COMPANY
(Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
together with the
Independent Auditor's Report

REKAZ NATIONAL CAPITAL COMPANY
(Closed Joint Stock Company)
Financial Statements for the Year Ended 31 December 2023
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TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY
CLOSED JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

We have audited the financial statements of the Company, which comprise of the following:

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Articles of Association 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, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY
CLOSED JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 misstatements, 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 risk 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 by the 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for direction, supervision and performance of audit. We remain solely responsible for our audit opinion.

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PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

(3/3)

**TO THE SHAREHOLDERS OF REKAZ NATIONAL CAPITAL COMPANY
CLOSED JOINT STOCK COMPANY**

**RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

For Al-Bassam & Co.

Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337
Riyadh: 18 Ramadan 1445H
Corresponding to: 28 March 2024



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REKAZ NATIONAL CAPITAL Company
(Closed Joint Stock Company)
Statement of Financial Position
As at 31 December 2023
(Amounts in Saudi Arabian Riyals)

		As at	
	<i>Notes</i>	31 December <u>2023</u>	31 December <u>2022</u>
<u>ASSETS</u>			
Non-current assets			
Investment carried at fair value through other comprehensive income (FVOCI)	8	2,083,535	3,363,866
Property and equipment, net	9	66,300	268,227
Right of use asset, net	10	-	68,458
Intangible assets	11	11,562	39,944
Total non-current assets		<u>2,161,397</u>	<u>3,740,495</u>
Current assets			
Cash and cash equivalents	5	287,766	724,742
Due from related parties	6	2,307,349	636,907
Prepayments and other current assets	7	126,864	175,368
Total current assets		<u>2,721,979</u>	<u>1,537,017</u>
TOTAL ASSETS		<u>4,883,376</u>	<u>5,277,512</u>
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
<u>Shareholders' equity</u>			
Share capital	12	5,000,000	10,000,000
Accumulated losses		(4,223,116)	(7,349,056)
Statutory reserve	13	51,407	51,407
FVOCI reserve		336,255	551,365
Total shareholders' equity		<u>1,164,546</u>	<u>3,253,716</u>
<u>LIABILITIES</u>			
Non-current liabilities			
Defined benefit obligation	16	510,197	337,603
Total non-current liabilities		<u>510,197</u>	<u>337,603</u>
Current liabilities			
Loan payable to a related party	6	2,287,207	950,000
Accrued and other liabilities	14	892,273	659,516
Accrued zakat provision	15	29,153	76,677
Total current liabilities		<u>3,208,633</u>	<u>1,686,193</u>
Total liabilities		<u>3,718,830</u>	<u>2,023,796</u>
Total liabilities and shareholders' equity		<u>4,883,376</u>	<u>5,277,512</u>



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The accompanying notes (1) through (24) form an integral part of these financial statements

REKAZ NATIONAL CAPITAL Company
(Closed Joint Stock Company)
Statement of Loss
For the Year Ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	Note	For the year ended 31 December	
		2023	2022
Revenue	17	3,900,347	3,189,390
Other income		8,250	84,000
Total operating income		3,908,597	3,273,390
Salaries and employee related expenses		(3,728,649)	(3,759,912)
Finance cost on lease liabilities		-	(12,872)
Depreciation and amortization	9,10,11	(305,168)	(1,010,022)
General and administrative expenses	18	(1,683,939)	(1,476,430)
Selling and marketing expenses		(191,536)	(180,711)
Total operating expenses		(5,909,292)	(6,439,947)
Net operating loss		(2,000,695)	(3,166,557)
Zakat expense	15	(29,153)	(219,831)
Net loss for the year after zakat		(2,029,848)	(3,386,388)



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The accompanying notes (1) through (24) form an integral part of these financial statements

Rekaz National Capital Company
(Closed Joint Stock Company)
Statement of Changes in Shareholder's Equity
For the Year Ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Statutory reserve</u>	<u>FVOCI reserve</u>	<u>Total</u>
Balance as at 1 January 2023	10,000,000	(7,349,056)	51,407	551,365	3,253,716
Reduction in share capital	(5,000,000)	5,000,000	-	-	-
Net loss for the year	-	(2,029,848)	-	-	(2,029,848)
Transfer of gain on disposal of financial assets at FVOCI to accumulated losses	-	215,110	-	(215,110)	-
Remeasurement loss on defined benefit obligation	-	(59,322)	-	-	(59,322)
Balance as at 31 December 2023	<u>5,000,000</u>	<u>(4,223,116)</u>	<u>51,407</u>	<u>336,255</u>	<u>1,164,546</u>
Balance as at 1 January 2022	10,000,000	(3,962,668)	51,407	-	6,088,739
Net loss for the year	-	(3,386,388)	-	-	(3,386,388)
Changes in fair value	-	-	-	551,365	551,365
Balance as at 31 December 2022	<u>10,000,000</u>	<u>(7,349,056)</u>	<u>51,407</u>	<u>551,365</u>	<u>3,253,716</u>



The accompanying notes (1) through (24) form an integral part of these financial statements

Rekaz National Capital Company
(Closed Joint Stock Company)
Statement of Cash flows
For the Year Ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	Notes	For the year ended 31 December	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year before zakat		(2,000,695)	(3,166,557)
<i>Adjustments for:</i>			
Depreciation and amortization	9,10,11	305,168	1,010,022
Defined benefits obligation	16	132,363	131,287
Finance cost on lease liabilities		-	12,872
Shares received as consideration for advisory fee		(32,025)	-
Commission in kind to consultant		54,855	-
		<u>(1,540,334)</u>	<u>(2,012,376)</u>
<i>Net (increase) / decrease in operating assets</i>			
Prepayments and other current assets		48,504	(15,014)
Due from related parties		(1,670,442)	(622,075)
Accrued and other liabilities		232,758	164,323
		<u>(2,929,514)</u>	<u>(2,485,142)</u>
Zakat paid during the year	15	(76,677)	(143,154)
Defined benefits obligation paid during the year	16	(19,091)	-
Net cash used in operating activities		<u>(3,025,282)</u>	<u>(2,628,296)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(6,401)	(1,710)
Proceeds from disposal of financial assets at FVOCI		1,257,500	-
Net cash generated from investing activities		<u>1,251,099</u>	<u>(1,710)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid		-	(763,500)
Loan from related party		1,337,207	950,000
Net cash used in financing activities		<u>1,337,207</u>	<u>186,500</u>
Net increase in cash and cash equivalents		<u>(436,976)</u>	<u>(2,443,506)</u>
Cash and cash equivalents at beginning of the year		724,742	3,168,248
Cash and cash equivalents at end of the year	5	<u>287,766</u>	<u>724,742</u>



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The accompanying notes (1) through (24) form an integral part of these financial statement

Rekaz National Capital Company
(Closed Joint Stock Company)
Notes to the Financial Statement
For the Year Ended 31 December 2023

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Rekaz National Capital Company (the “Company”) is a Saudi Closed Joint Stock Company established and registered in the Kingdom of Saudi Arabia under commercial registration number 1010606556, dated 23 Rabi ul Awwal 1441H (corresponding to 20 November 2019).

The principal activities of the Company are providing advisory services, arranging services and asset management and investment license services as per license of the Capital Market Authority ("CMA") number 19204-32, dated 3 Rajab 1441H (corresponding to 27 February 2020).

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the new Law.

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

Rekaz National Capital Company
9th Floor, Tulip Tower, King Fahad Road,
Riyadh, Kingdom of Saudi Arabia.
PO Box 3774, Riyadh 12333,
Kingdom of Saudi Arabia

<u>Name</u>	<u>No. of shares</u>	<u>Per share price</u>	<u>SAR</u>	<u>% holding</u>
Rekaz Holding Company	375,000	10	3,750,000	75%
Bayet Kamda Company	37,500	10	375,000	7.5%
Bayet Sara Contracting Company	37,500	10	375,000	7.5%
Huda Salman Al Haqbani	25,000	10	250,000	5%
Salman Abdullah Al Sayed	25,000	10	250,000	5%
	<u>500,000</u>	<u>10</u>	<u>5,000,000</u>	

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (hereinafter referred to as “IFRS as endorsed in KSA”) and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Company.

b) Basis of measurement and presentation

These financial statements have been prepared on a going concern basis under historical cost basis, except for the following items:

- Financial assets measured at fair value through other comprehensive income; and
- Employee’s end of service benefits which are measured at present value of future obligations using projected unit credit method.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional and presentation currency of the Company. All financial information presented have been rounded off to nearest SAR unless otherwise stated.

2. BASIS OF PREPARATION (Continued)

d) Use of estimates and judgements

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

Areas where management has used significant estimates are as follows:

Impairment losses on due from related parties

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

Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected useful lives of relevant assets. Residual value is determined based on experience and observable data where available.

Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flow management makes assumptions about future operating results. These assumptions are related to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

Recognition and measurement of provisions

By their nature, the measurement of provisions depends upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Company's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on an estimate of costs, considering legal advice and other information available.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant zakat authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits or losses and/or cash flows.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements (continued)

Defined benefits obligation

The liabilities relating to defined benefit plans are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting year. This method involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 15 to these financial statements.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20 of these financial statements.

Critical judgements in applying the Company's accounting policy

In particular, considerable management judgement is required in respect of the following issues:

Going Concern

The Company's management has made an assessment of its ability to continue as going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, 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, the financial statements continue to be prepared on the going concern basis.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

a) Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks in current accounts with banks. Cash and cash equivalents are carried at amortized cost in the statement of financial position..

3. MATERIAL ACCOUNTING POLICIES (Continued)

d) Employees' benefits (Continued)

Defined benefits obligation (continued)

The discount rate applied in arriving at the present value of the defined benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits are categorized as follows:

- Current service cost (increase in the present value of obligation resulting from employee service in the current year).
- Interest expense (calculated by applying the discount rate at the beginning of the year to the end of service benefits liability); and
- Re-measurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of income as the related compensation cost.

Re-measurement, comprising actuarial gains and losses, is recognized in full in the year in which they occur, in other comprehensive income without recycling to the profit or loss in subsequent year. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

e) Zakat

The Company's shareholders are subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base.

An estimate of zakat provisions are charged to statement of income. Additional zakat liabilities, if any, related to prior years' assessments arising from ZATCA are accounted for in the year in which the final assessments are finalized.

f) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

g) Expenses

Expenses are measured and recognized as a year cost at the time when they are incurred. Expenses related to more than one financial year are allocated over such years proportionately. All expenses, excluding direct costs are classified as general and administration expenses.

3. MATERIAL ACCOUNTING POLICIES (Continued)

b) Property and equipment

Recognition and Measurement

Items of property and equipment are measured at cost, which includes capitalized borrowing costs, if any, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

De-recognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in statement of profit or loss and comprehensive income as other income or expense.

Depreciation

The estimated useful lives of property and equipment for current and comparative years are as follows:

Asset Category	<u>Useful Life</u>
Computers & Accessories	4 Years
Office Equipment	4 Years
Furniture & Fixture	4 Years
Building Improvements	3 Years or lease period whichever is less

c) Accrued and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

d) Employees' benefits

Short-term employee benefits

Liabilities for salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits under "accrued and other liabilities" in the statement of financial position.

Defined benefits obligation

The Company has end of service benefits which qualify as defined benefit plans. The employees are entitled for benefits based on length of service and last drawn salary, and computed in accordance with the provisions of the Saudi Arabian Labour and Workmen Law and the Company's policy.

The liability for end of service benefits, being an unfunded plan, is determined using projected credit unit method with actuarial valuations being conducted at end of annual reporting years. The related liability recognized in statement of financial position is the present value of the end of service benefits obligation at the end of the reporting year.

3. MATERIAL ACCOUNTING POLICIES (*Continued*)

h) Foreign currency transactions

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in statement of income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made of the amount of obligation.

j) Revenue from contracts with customers

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards.

The details of the Company's revenues and the method of their recognition in accordance with IFRS 15 are as follows:

Asset management fee income

Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("return-based") subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

Advisory fee income

Income from advisory services includes transaction fee and retainer fee:

- Transaction fee is recognized when the Company has rendered all services, based on milestones set under the contract for delivery of service, to the customer and is entitled to collect the fee from the customer with no contingencies associated with the fee.
- Retainer fee is recognized over time as the services are rendered.

Subscription fee income

Subscription fee is recognized upon subscription to the fund.

Service fee income

Service fees are referral fee income for introducing the Company's clients to one of the Company's related parties and are recognised based on agreed rates upon successful referral.

3. MATERIAL ACCOUNTING POLICIES (Continued)

k) Financial instruments

i) Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss (“FVTPL”).

Classification and initial measurement

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. The Company’s accounting policy for each category is as follows:

Fair value through profit or loss (FVTPL)

Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss. These are initially recognized at fair value and transaction costs are charged to expenses in profit and loss account.

Fair value through other comprehensive income (FVTOCI)

Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings / (accumulated losses) and is not reclassified to statement of profit or loss. Dividends are recognized in profit or loss unless the dividend represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve.

Financial assets at amortized cost

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective profit rate method, less provision for impairment, if any. Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The Company’s financial assets measured at amortized cost comprise trade receivables and cash and cash equivalents in the statement of financial position.

3. MATERIAL ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

i) Financial assets (Continued)

Subsequent measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is 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 interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at FVTPL.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables and other assets are presented separately in the statement of profit or loss and other comprehensive income.

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability is acquired.

The Company's accounting policy for each category is as follows:

Fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income. The Company does not have any liabilities held for trading nor has it optionally designated any financial liabilities at fair value through profit or loss.

Other financial liabilities

Profit bearing liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such profit-bearing liabilities are subsequently measured at amortized cost using the effective profit rate method, which ensures that any profit expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, profit expense includes initial transaction costs and any premium payable on redemption, as well as any profit or coupon payable while the liability is outstanding.

3. MATERIAL ACCOUNTING POLICIES (Continued)

k) Financial instruments (Continued)

ii) Financial liabilities (Continued)

De-recognition

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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

l) Intangible assets

An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in statement of profit or loss when the asset is derecognized.

The intangible assets recognized by the Company, their useful economic lives are as follows:

Intangible assets	Useful life
Software	4 years

m) General and administrative expenses

Expenses are measured and recognized as a year cost at the time when they are incurred. Expenses related to more than one financial year are allocated over such years proportionately. All expenses, excluding direct costs are classified as general and administration expenses.

n) Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

a) New standards, amendments to standards and interpretations effective during the year

Following standard, interpretation or amendment are effective from the annual reporting period beginning on 1 January 2023 and are adopted by the company, however, these does not have any material impact on the financial statements of the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	01 January 2023
IFRS 17	Insurance Contracts and its amendments This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.	01 January 2023
IAS 8	Amendment to the definition of accounting estimate These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.	01 January 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences	01 January 2023
IAS 12	International tax reform (pillar two model rules) These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	01 January 2023

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4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (Continued)

a) New standards, interpretations and amendments issued but not effective

Standard, interpretation, amendments	Description	Effective date
IAS 1	Classification of liabilities as current or non-current The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.	1 January 2024
IFRS 16	Leases on sale and leaseback These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
IAS 7 and IFRS 7	Supplier finance arrangements These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	1 January 2024
IAS 21	Lack of Exchangeability The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the year of initial application.

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5. CASH AND CASH EQUIVALENTS

	<u>Note</u>	31 December 2023	31 December 2022
Cash in hand		43	603
Cash at bank	5.1	<u>287,723</u>	<u>724,139</u>
		<u>287,766</u>	<u>724,742</u>

5.1 The Company does not earn profits on current accounts with banks and financial institutions in accordance with Sharia rules and principles.

6. RELATED PARTY INFORMATION

The Company in the normal course of business carries out transactions with various related parties. Related parties' transactions are carried out at an arm's length and conditions approved by the Company's Board. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel and non-related companies on an arm's length basis.

Outstanding balances at the year-end are unsecured, interest-free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Nature and related party	Amount of transaction during the year		Closing balance receivables / (payables)	
	31 December		31 December	
	2023	2022	2023	2022
<i>Asset management fee income</i>				
National Capital Health Care Technologies and AI Fund	425,970	289,390	84,966	5,431
National Capital Manufacturing Fund I	1,228,895	1,125,000	1,242,079	631,476
Sulfah Indirect Financing Fund	695,483	-	498,170	-
<i>Advisory fee income</i>				
Science Technology for Investment and Industrial Development	1,150,000	1,150,000	482,134	-
Total	3,500,347	2,564,390	2,307,349	636,907

	Amount of transaction during the year		Closing balance receivables / (payables)	
	31 December		31 December	
	2023	2022	2023	2022
Subordinated Loan				
Rekaz Holding Company*	1,337,207	950,000	(2,287,207)	(950,000)
Directors				
Board meeting allowance	76,000	378,000	-	-
Executives				
Salaries and other benefits	1,620,000	1,620,000	(831,732)	(453,672)

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6. RELATED PARTY INFORMATION (Continued)

*On 8th April 2023 and 18th May 2023 the Company obtained a loan from its parent company amounting to SAR 862,634 and SAR 474,573 respectively. The Subordinated loan may only be repayable or callable at the initiative of the Company after a minimum of one year from the date of payment. The Company must get prior approval from CMA to repay the Subordinated loan or exercise a call unless the Company demonstrates that its capital adequacy ratios remain well above the minimum capital adequacy requirements and are deemed satisfactory in the long-term after the Subordinated loan is repaid or the call option is exercised. The management has assessed the fair value of the subordinated loan and it is approximately equal to its carrying value.

On 22nd December 2022, the Company obtained a loan from its parent company amounting to SAR 950,000. The loan is repayable after 18 months in full.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December <u>2023</u>	31 December <u>2022</u>
VAT receivable	855	46,120
Prepaid license	38,628	63,811
Prepaid insurance	54,042	38,973
Advance to staff	5,250	3,274
Others*	28,089	23,190
	<u>126,864</u>	<u>175,368</u>

*Others mainly include prepayment for IT expenses for Logix financial and administrative system – the ERP module used by the Company - Renewal, Maintenance and technical Support with Standard Solution for IT amounting to SAR 19,073.

8. INVESTMENT CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	<i>Note</i>	31 December <u>2023</u>	31 December <u>2022</u>
Investment carried at FVOCI	8.1 & 8.2	2,083,535	3,363,866
		<u>2,083,535</u>	<u>3,363,866</u>

8.1 The movement during the year is as following:

Particulars	31 December 2023	31 December 2022
Opening balance	3,363,865	2,812,500
Less: Investment sold during the year	(1,257,500)	-
Add: Sweat equity	32,025	-
Less: Commission in kind	(54,855)	-
Add: Unrealized gain due to revaluation	-	551,365
Closing balance	<u>2,083,535</u>	<u>3,363,865</u>

8.2 As per the terms and conditions of the National Capital Manufacturing Fund I, the Company being a Fund Manager of the Fund has received 5% units of the target size of the Fund as sweat equity. These units are being issued to Fund Manager in lieu of an exit fee and carried interest for the Fund Manager. During the year, the Company disposed off 109.35 units of the Fund amounting to SAR 1,257,500.

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11. INTANGIBLE ASSETS

	31 December 2023	31 December 2022
Cost:		
As at 1 January	104,799	960,809
Addition during the year	-	-
Write off	-	(856,010)
As at 31 December	104,799	104,799
Accumulated amortization:		
As at 1 January	(64,855)	(585,550)
Amortization charge for the year	(28,382)	(335,315)
Write off	-	856,010
As at 31 December	(98,237)	(64,855)
Net Book Value:		
As at 31 December	11,562	39,944

12. SHARE CAPITAL

As at 31 December 2023, issued and fully paid-up share capital of the Company was SAR 5,000,000 (2022: SAR 10,000,000) divided into 5,000,000 shares with a nominal value of SAR 10 each.

During the year there has been a reduction of capital by 5,000,000 share. Details of shareholders and their respective percentage holdings as at 31 December 2023 have been shared below:

<u>Name</u>	<u>No. of shares</u>	<u>Per share price</u>	<u>SAR</u>	<u>% holding</u>
Rekaz Holding Company	375,000	10	3,750,000	75%
Bayet Kamda Company	37,500	10	37,500	7.5%
Bayet Sara Contracting Company	37,500	10	37,500	7.5%
Huda Salman Al Haqbani	25,000	10	25,000	5%
Salman Abdullah Al Sayed	25,000	10	25,000	5%
	500,000	10	5,000,000	

Details of shareholders as at 31 December 2022 were as following:

<u>Name</u>	<u>No. of shares</u>	<u>Per share price</u>	<u>SAR</u>	<u>% holding</u>
Rekaz Holding Company	750,000	10	7,500,000	75%
Bayet Kamda Company	75,000	10	750,000	7.5%
Bayet Sara Contracting Company	75,000	10	750,000	7.5%
Huda Salman Al Haqbani	50,000	10	500,000	5%
Salman Abdullah Al Sayed	50,000	10	500,000	5%
	1,000,000	10	10,000,000	

13. STATUTORY RESERVES

In accordance with the Company's Articles of Association, the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital.

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14. ACCRUED AND OTHER LIABILITIES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Salary payable	831,732	453,672
GOSI	28,722	112,328
Others	31,819	93,516
	<u>892,273</u>	<u>659,516</u>

15. ACCRUED ZAKAT PROVISION

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	76,677	-
Zakat provision for the year	29,153	76,677
Adjustment for prior year	-	143,154
Payments made during the year	(76,677)	(143,154)
Balance at end of the year	<u>29,153</u>	<u>76,677</u>

16. DEFINED BENEFIT OBLIGATION

During the year, the actuarial valuations of the defined benefit obligation were carried out under the Projected Unit Credit Method.

The amounts recognised in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Present value of the defined benefit obligation opening balance	337,603	206,316
Statement of income		
Current service cost	118,421	131,287
Finance cost on defined benefit obligation	13,942	-
Cash movement		
Benefits paid during the year	(19,091)	-
Actuarial loss due to remeasurement	59,322	-
Present value of defined benefit obligation closing balance	<u>510,197</u>	<u>337,603</u>

	<u>2023</u>	<u>2022</u>
Re-measurement: Actuarial loss / (gain) on obligation		
Loss/ (gain) due to change in financial assumptions	-	-
Loss / (gain) due to change in demographic assumptions	-	-
Loss due to change in experience adjustments	59,322	-
Remeasurements due to actuarial loss	<u>59,322</u>	<u>-</u>

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16. DEFINED BENEFIT OBLIGATION (Continued)

Principal actuarial assumptions:

	31 December <u>2023</u>	31 December <u>2022</u>
Discount rate (% per annum)	4.75%	5.25%
Rate of change in salary (% per annum)	3.00%	4.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region. Attrition rates have been determined using benchmarks and adjusted for Company's own experience.

Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2023 and 31 December 2022 to the key assumptions mentioned above.

31 December 2023	SAR		
	Impact on defined benefit obligation		
Base scenario	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	478,024	546,462
Expected rate of salary increase	1%	549,388	474,885

31 December 2022	SAR		
	Impact on defined benefit obligation		
Base scenario	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	313,039	365,812
Expected rate of salary increase	1%	365,741	312,538

Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

<u>SAR</u>			
<u>31 December 2023</u>	<u>1 year</u>	<u>2 to 5 years</u>	<u>6 to 10 years</u>
	58,607	386,399	1,990,510
<u>SAR</u>			
<u>31 December 2022</u>	<u>1 year</u>	<u>2 to 5 years</u>	<u>6 to 10 years</u>
	36,105	126,675	109,704

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17. REVENUE

	31 December 2023	31 December <u>2022</u>
<i>Disaggregation of revenue by major service category</i>		
Income from asset management services	2,295,851	1,414,390
Income from advisory services	1,604,496	1,775,000
	<u>3,900,347</u>	<u>3,189,390</u>
	31 December 2023	31 December <u>2022</u>
<i>Disaggregation of revenue by customer type</i>		
Related parties (note 6)	3,500,347	2,564,390
Others	400,000	625,000
	<u>3,900,347</u>	<u>3,189,390</u>
	31 December 2023	31 December <u>2022</u>
<i>Disaggregation of revenue by recognition principle</i>		
Performance obligation satisfied over the period of time	3,638,056	3,189,390
Performance obligation satisfied at a point in time	262,291	-
	<u>3,900,347</u>	<u>3,189,390</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023	31 December <u>2022</u>
Legal, professional and consultancy fees	376,447	383,854
Insurance expense	402,466	311,111
Board meeting fees	76,000	378,000
Government expenses	123,404	102,313
Rent expense	409,296	-
Repair and maintenance expense	-	46,350
IT expenses	221,929	153,096
Travelling costs	3,550	19,800
Miscellaneous	70,846	81,906
	<u>1,683,938</u>	<u>1,476,430</u>

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation and monitoring of risks and controls.

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company has dedicated Risk and Compliance function. Day-to-day risk management activities are managed within each respective business unit. The Board of Directors meets on a quarterly basis and is updated on all relevant aspects of the business, including risk management matters.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Commission rate risk
- Other market price risk, and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Due from related parties
- Investment at fair value through other comprehensive income
- Other liabilities

General objectives, policies and processes

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to the management for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The most significant financial risks to which the Company is exposed are described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its cash at bank and receivables. Balances with banks are placed with different banks. The credit risk against banks is generally managed on the basis of external credit grading of the bank. The Company is dealing with banks that at least meet the investment grade credit rating.

The management seeks to limit its credit risk on asset management fee receivables by monitoring credit exposures from the funds managed by it and does not consider itself exposed to significant credit risk in respect of these balances because of having a priority as creditor over the unit holders of the fund. For other financial assets credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Rated at least BBB+			
Cash at bank	5	287,723	724,742
Unrated			
Due from related parties	6	2,307,349	622,075
Investment carried at fair value through other comprehensive income	8	2,083,535	3,363,866

Based on management assessment, the Company has limited exposure to credit risk in due from related parties, since all are recovered subsequently prior to the approval of the financial statements.

Market risk

It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other market price risk). The details related to these risks are more fully described below:

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified year. Management monitors the market changes in commission rates on regular basis to minimize commission rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company's does not have any other significant foreign currency exposure as transactions are principally carried out in Saudi Riyals

Fair value risk

The Company is exposed to market risk with respect to its investments. The Company limits market risks by diversification of its investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the equity and debt market movements are monitored including analysis of the operational and financial performance of investees.

The table below shows the maximum exposure to market risk for the components of the statement of financial position.

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Investment at fair value through other comprehensive income	8	2,083,535	3,363,866
		<u>2,083,535</u>	<u>3,363,866</u>

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as the investments are not listed.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any current and future financial commitments as and when they fall due. The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled.

2023	Less than 1 year	More than 1 year	Total
Assets			
Cash and cash equivalents	287,766	-	287,766
Due from related parties	2,307,349	-	2,307,349
Other current assets	126,864	-	126,864
Investment at fair value through other comprehensive income	-	2,083,535	2,083,535
Total assets	2,721,979	2,083,535	4,805,514
Liabilities			
Loan payable to related party	-	2,287,207	2,287,207
Accrued and other liabilities	892,273	-	892,273
Defined benefit obligation	510,197	-	510,197
Total Liabilities	1,402,470	2,287,207	3,689,677
Liquidity gap arising from financial instruments	1,319,509	(203,672)	1,115,837
<hr/>			
2022	Less than 1 year	More than 1 year	Total
Assets			
Cash and cash equivalents	724,742	-	724,742
Due from related parties	636,907	-	636,907
Other current assets	72,584	-	72,584
Investment at fair value through other comprehensive income	-	3,363,866	3,363,866
Total assets	1,434,233	3,363,866	4,798,099
Liabilities			
Loan payable to related party	-	950,000	950,000
Accrued and other liabilities	659,516	-	659,516
Defined benefit obligation	-	337,603	337,603
Total Liabilities	659,516	1,287,603	1,947,119
Liquidity gap arising from financial instruments	774,717	2,076,263	2,850,980

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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20. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the fair value of financial assets, including their levels in the fair value hierarchy. There were no transfers between levels during the year.

31 December 2023	Level 1	Level 2	Level 3	Total
FVOCI	-	-	2,083,535	2,083,535
31 December 2022	Level 1	Level 2	Level 3	Total
FVOCI	-	-	3,363,866	3,363,866

Financial instruments not measured at fair value

The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

21. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments of the Company as at 31 December 2023 (31 December 2022: SR nil).

22. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.

23. RECLASSIFICATION OF PRIOR YEAR FIGURES

Certain comparative information has been reclassified to conform to the current year presentation.

24. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 16 Ramadan 1445H, corresponding to 26 March 2024.