ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor's report to the shareholder of Alawwal Invest Company

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Responsibilities of 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholder of Alawwal Invest Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 the Audit Committee, regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Bader I. Benmohareb
License number 471

30 March 2023

ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Amount in SAR '000s')

	Note	**31 December 2022**	**31 December 2021 (Restated – Note 31)**
ASSETS			
Cash and cash equivalents	*4*	**50,172**	59,269
Margin deposit with clearing house	*5*	**43,701**	-
Time deposits	*6*	**303,135**	410,000
Receivables from asset management	*7*	**24,308**	1,037
Margin finance receivables, net	*8*	**1,189,326**	80,973
Investments held at fair value through statement of income ("FVSI")	*9*	**41,563**	124,259
Investments held at fair value through statement of comprehensive income ("FVOCI")	*10*	**49,791**	-
Prepayments and other assets	*11*	**35,741**	1,490
Investments held at amortized cost	*12*	**101,336**	-
Right of use asset	*13*	**1,319**	2,638
Property and equipment	*14, 23*	**341**	-
Intangible assets	*15, 23*	**229,603**	-
TOTAL ASSETS		**2,070,336**	679,666
LIABILITIES AND EQUITY			
Liabilities			
Short-term borrowings	*16*	**833,286**	80,813
Due to related parties	*17*	**135,803**	75,216
Accrued expenses and other liabilities	*18*	**94,327**	35,492
Zakat and income tax payable	*19*	**15,763**	9,878
Lease liability	*20*	**1,369**	4,108
Employees' end of service benefits ("EOSB")	*21*	**47,894**	11,605
Total liabilities		**1,128,442**	217,112
Shareholder's equity			
Share capital	*22*	**840,000**	400,000
Statutory reserve	*22*	**27,041**	23,040
Other reserve		**1,486**	2,157
Retained earnings		**73,367**	37,357
Total Shareholder's equity		**941,894**	462,554
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,070,336**	679,666

The accompanying notes 1 to 33 form an integral part of these financial statements.

Head of Finance | Chairman | Chief Executive Officer

ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Amount in SAR 000s')

	Note	For the year ended 31 December 2022	31 December 2021
REVENUE			
Asset management fee	26	**45,456**	9,040
Brokerage fee income		**20,395**	17,070
Special commission income	27	**42,642**	7,178
Fee for custody and other services		**350**	768
Unrealized (loss) / gain on investments held at FVSI		**(2,125)**	1,218
Realised gain on investments held at FVSI		**908**	-
Dividend income	10	**632**	-
Total operating revenue		**108,258**	35,274
Provisional gain on bargain purchase on business combination	23	**113,500**	-
TOTAL REVENUE		**221,758**	35,274
Salaries and employee related expenses		**(63,147)**	(27,727)
Premises related expenses		**(2,643)**	(759)
Special commission expense on short term borrowings		**(20,043)**	(1,214)
Other general and administrative expenses	28	**(74,547)**	(51,041)
Depreciation and amortisation		**(6,439)**	(1,319)
Expected credit loss on margin finance receivables	8	**(377)**	-
Finance charge	20	**(51)**	(77)
TOTAL OPERATING EXPENSES		**(167,247)**	(82,137)
INCOME / (LOSS) BEFORE ZAKAT AND INCOME TAX		**54,511**	(46,863)
Zakat and income tax for the year	19	**(14,500)**	(9,410)
NET INCOME / (LOSS) FOR THE YEAR		**40,011**	(56,273)
OTHER COMPREHENSIVE (LOSS) / INCOME			
Items that will not be reclassified to statement of income in subsequent years:			
Net changes in fair value of investments held at FVOCI		**(209)**	-
Remeasurement (loss) / gain on EOSB		**(462)**	859
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME		**(671)**	859
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**39,340**	(55,414)

The accompanying notes 1 to 33 form an integral part of these financial statements.

Head of Finance | Chairman | Chief Executive Officer

ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(Amount in SAR '000s')

	Share capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance as at 1 January 2022	**400,000**	**23,040**	**2,157**	**37,357**	**462,554**
Net income for the year	**-**	**-**	**-**	**40,011**	**40,011**
Other comprehensive loss	**-**	**-**	**(671)**	**-**	**(671)**
Total comprehensive income	**-**	**-**	**(671)**	**40,011**	**39,340**
Transfer to statutory reserve	**-**	**4,001**	**-**	**(4,001)**	**-**
Increase in share capital *(note 1)*	**440,000**	**-**	**-**	**-**	**440,000**
Balance as at 31 December 2022	**840,000**	**27,041**	**1,486**	**73,367**	**941,894**
Balance as at 1 January 2021	400,000	23,040	1,298	93,630	517,968
Net loss for the year	-	-	-	(56,273)	(56,273)
Other comprehensive income	-	-	859	-	859
Total comprehensive loss	-	-	859	(56,273)	(55,414)
Balance as at 31 December 2021	400,000	23,040	2,157	37,357	462,554

The accompanying notes 1 to 33 form an integral part of these financial statements.

Head of Finance Chairman Chief Executive Officer

ALAWWAL INVEST COMPANY
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Amount in SAR '000s')

	Note	For the year ended 31 December 2022	31 December 2021 (Restated– Note 31)
Cash flows from operating activities			
Net income / (loss) before zakat and income tax for the year		**54,511**	(46,863)
Adjustments for:			
Realized gain on investment held at FVSI		**(908)**	-
Unrealized loss / (gain) on investments held at FVSI		**2,125**	(1,218)
Dividend income		**(632)**	-
Depreciation and amortisation		**6,439**	1,319
Finance charge	*20*	**51**	77
Provision for EOSB	*21.2*	**3,633**	1,574
Expected credit loss on margin finance receivables		**377**	97
Provisional gain on bargain purchase on business combination	*23*	**(113,500)**	-
		(47,904)	(45,014)
Changes in operating assets and liabilities:			
Decrease in margin finance receivables		**54,293**	83,392
Increase in receivables from asset management		**(23,271)**	(329)
Increase in margin deposit with clearing house		**(43,701)**	-
Increase in prepayments and other assets		**(26,861)**	(770)
Increase in due to related parties		**60,587**	59,191
Increase in accrued expenses and other liabilities		**12,044**	27,723
		(14,813)	124,193
EOSB paid	*21*	**(855)**	(3,424)
Zakat paid	*19.2*	**(8,615)**	(9,118)
Income tax paid	*19*	**-**	(101)
Net cash (used in) / generated from operating activities		**(24,283)**	111,550
Cash flows from investing activities			
Proceeds on maturity of time deposits		**3,875,028**	1,170,593
Purchase of investment in time deposits		**(3,765,028)**	(1,145,000)
Purchase of business combination	*23*	**(1,216,735)**	-
Purchase of investment held at FVSI		**(5,537)**	-
Proceeds from sale of investment held at FVSI		**87,016**	-
Purchase of investment held at FVOCI		**(50,000)**	-
Purchase of investment held at amortized cost		**(98,944)**	-
Purchase of software - capital work in progress		**(929)**	-
Dividends received		**632**	-
Net cash (used in) / generated from investing activities		**(1,174,497)**	25,593
Cash flows from financing activities			
Payment for lease liability	*20*	**(2,790)**	-
Net proceeds / (repayment) on short-term borrowings	*16.1*	**752,473**	(83,604)
Increase in share capital	*1*	**440,000**	-
Net cash generated from / (used in) financing activities		**1,189,683**	(83,604)
Net (decrease) / increase in cash and cash equivalents		**(9,097)**	53,539
Cash and cash equivalents at beginning of the year		**59,269**	5,730
Cash and cash equivalents at the end of the year	*4*	**50,172**	59,269
Supplemental non-cash information			
EOSB transferred	*21*	**33,049**	1,346
Remeasurement (loss) / gain on EOSB	*21*	**(462)**	859
Special commission received during the year		**30,051**	7,507
Special commission paid during the year		**(20,043)**	(1,214)
Net changes in fair value of investments held at FVOCI	*10*	**(209)**	-
Acquired intangible assets through business combination	*23*	**233,500**	-
Acquired net assets through business combination	*23*	**1,096,800**	-

The accompanying notes 1 to 33 form an integral part of these financial statements.

Head of Finance | Chairman | Chief Executive Officer

1. ORGANIZATION AND ACTIVITIES

Alawwal Invest Company ("the Company") is a One-Person Closed Joint Stock Company, a 100% owned subsidiary of The Saudi British Bank ("SABB", "the Parent"), operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010242378 dated 30 Dhul Hijjah 1428H (corresponding to 9 January 2008).

The principal activities of the Company are to provide a full range of financial services, which include brokerage services, asset management services and margin lending. The Company also provides arranging, advisory and custodial services to its clients pursuant to the Capital Market Authority ("CMA") resolution number 1-39-2007 dated 8 Rajab1428 corresponding to 22 July 2007.

The address of the Company's head office is as follows:

Alawwal Invest Company
Head Office
P.O. Box 1467
Riyadh 11431,
Kingdom of Saudi Arabia

In extraordinary general assembly meeting (EGM) held on 10 March 2022, SABB approved the recommendation from Alawwal Invest's Board of Directors to increase the capital of the Company from SAR 400,000,000 to SAR 840,000,000 by way of capital injection. The legal formalities including the approval from CMA have been obtained and the share capital duly increased.

On 18 May 2021, Alawwal Invest entered into a business transfer agreement related to the purchase of certain business lines ("the Transaction") from HSBC Saudi Arabia (in which SABB owns 49% of the share capital). According to the agreement, Alawwal Invest acquired the following business lines:

1- The assets management business;
2- The retail margin lending business; and
3- The retail brokerage business

The Transaction was executed during the year ended 31 December 2022, as disclosed in note 23 to these financial statements.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These financial statements of the Company have been prepared using accrual basis of accounting and 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 Organisation for Chartered and Professional Accountants ("SOCPA").

2.2. Basis of measurement

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

- Financial assets classified as "at fair value through statement of income" are measured at fair value; and
- Defined benefit obligations are measured at present value of future obligations using the Projected Unit Credit Method.

The line items on the statement of financial position are presented in the order of liquidity.

The following balances would generally be classified as non-current assets and liabilities: investment carried at amortized cost, property and equipment, intangibles and EOSB due more than one year. All other balances are classified as current.

2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional and presentational currency of the Company. All amounts have been rounded to the nearest thousands.

2. BASIS OF PREPARATION (continued)

2.4. Critical accounting judgements, estimates and assumptions

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

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions have been reviewed on an ongoing basis. Revisions to accounting estimates have been recognized in the year in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years.

The key assumptions concerning the future and other key sources of estimates 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 financial year include:

2.4.1 Employees' end of service benefits

Employee benefits represent obligations that will be settled in the future and require assumptions to project these obligations. The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the date of the statement of financial position. IFRS requires management to make further assumptions regarding variables such as discount rate, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. The management uses an external actuary for reviewing this calculation. Changes in key assumptions can have a significant impact on the projected benefit obligation and/or periodic employees' benefits incurred costs.

2.4.2 Useful life and amortisation of intangible assets

The management determines the estimated useful life of its intangible for calculating amortisation. This estimate is determined after considering the expected usage of the asset. The management periodically reviews the estimated useful lives, residual values and the amortisation method to ensure that the method and years of amortisation are consistent with the expected pattern of economic benefit of the assets.

2.4.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost using 'expected credit loss' model ("ECL") in accordance with IFRS 9. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

2.4.4 Classification of investments at amortised cost **-** (refer to note 3.2)

2.4.5 Business combination and valuation of customer relationship

The Company has exercised judgement in the relation to the business combination from HSBC Saudi Arabia (note1) and the acquired intangible assets, customer relationship, as disclosed in note 3.7 and note 23 of these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and risk management policies used in the preparation of these financial statements are set out below. These policies have consistently been consistently applied to all years presented, unless otherwise stated. New accounting policies as a result of business combination are stated in notes 3.5, 3.6 and 3.7 to these financial statements.

New standards, amendments and interpretations adopted by the Company

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;

New standards, amendments and interpretations adopted by the Company

- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income;
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

New standards and amendments issued but not yet effective and not early adopted

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after I January 2023 are listed below. The Company has opted not to early adopt these pronouncements and it is not expected that they will have a significant impact on the financial statements of the Company upon adoption.

- Amendments to IAS I, Presentation of financial statements', on classification of liabilities;
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendment to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction;
- IFRS 17, 'Insurance contracts', as amended in December 2021; and
- Amendments to IFRS 10 and IAS 28.

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank balances. It also includes bank overdrafts which form an integral part of the Company's cash management and are likely to fluctuate from overdrawn to positive balances. Bank overdrafts, where there is no right of set-off, are shown as short-term borrowings within liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments

All financial assets and financial liabilities are initially recognized on the trade date i.e. the date on which the Company becomes party to the contractual provisions of the instrument.

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

Classification and measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through statement of income (FVSI)

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

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

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

Factors considered by the Company in determining the business model for a group of assets include:
- past experience on how the cash flows for these assets were collected.
- how the asset's performance is internally evaluated and reported to key management personnel.
- how risks are assessed and managed; and
- how managers are compensated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

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

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

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

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

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

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

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

<u>Equity instruments</u>

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Impairment of financial assets

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

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

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

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 has their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
(vi) Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Stage 1: (Initial recognition) 12-month expected credit losses

Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses

Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include cash and cash equivalents, margin finance receivables, investment held at amortised cost and other receivables.

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

<u>Stages of impairment under IFRS 9</u>

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

Stage 1 - Performing financial assets

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

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

Stage 2 - Financial Assets with significant increase in credit risk

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Stage 3 - Credit impaired financial assets

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

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

<u>Expected Credit Loss measurement</u>

Margin finance receivables

Staging criteria:

Staging is done in accordance with the above mentioned criteria.

Significant increase in credit risk:

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

Definition of default:

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

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Given the nature and extent of the collateral held against the Company's margin finance exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin finance facilities should be at a minimum 130% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 130%. Therefore, generally, no exposure is classified as stage 2 as it is already liquidated at 130%. Hence, even though there might be small probability of default, the ECL would not be material, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at a minimum to 130%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

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

Other receivables

Staging criteria:

Staging is done in accordance with above mentioned criteria.

Significant increase in credit risk:

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

Definition of default:

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative - e.g., breaches of covenant,
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

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

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

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

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

The financial assets of the Company, which are subjected to ECL review include cash and cash equivalents, margin deposit with clearing house, time deposits, investment held at amortised cost, margin finance receivables and other receivables. Loss given default (LGD) is insignificant given the "insignificant risk of changes in value" criteria.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

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

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

<u>De-recognition of financial instruments</u>
A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership.

Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

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

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

3.3 Revenue from contracts with customers

The Company recognises revenue as and when the performance obligations are met as per IFRS 15 (using the five-step model). The Company has the following streams of revenue:

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

Investment banking income
Advisory and investment banking services revenue is recognized based on services rendered under the applicable service contracts and as the performance obligations are met.

Brokerage income
Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction on behalf of the customers, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

Net gains on investments measured at FVSI
Net gains on investments measured at FVSI includes all realised and unrealized fair value changes and foreign exchange differences (if any) but excludes special commission and dividend income.

Special commission income
Income from margin finance receivables and time deposits is recognized on an accrual basis based on effective commission rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Leases

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

Right of Use Assets ("ROU")
The Company applies cost model, and measure right of use asset at cost;
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications

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

Lease Liability
On initial recognition, the lease liability is the present value of the lease payments that are not paid at the commencement date discounted using the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability at amortized cost using the effective interest method by:
1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

3.5 Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the property and equipment. All other expenditure is recognized in the statement of income when incurred.

Expenditure incurred up to the point of capitalization, until the asset is ready for the intended use, is treated as capital work in progress.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful life of individual items of property and equipment.

The estimated useful lives of the Company's property and equipment are as follows:

	Years
Office equipment	4 - 7

The residual values, useful live and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

At each year end, the Company assesses whether there is any indication that an asset is impaired. If such an indication exists, an estimate of the asset's recoverable amount is made. If the recoverable amount is below the asset's carrying amount, the asset is written down to its recoverable amount.

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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Intangible assets

Intangibles acquired separately are measured on initial recognition at cost. The cost of the intangibles acquired in a business acquisition is at fair value as at the date of acquisition. Following initial recognition, intangibles are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangibles may be impaired. The amortisation period and amortisation method for intangibles with finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in an accounting estimate. The amortisation expense on intangibles with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangibles.

Acquired intangibles are recognised at their 'fair value' upon initial recognition. The specific criteria which need to be satisfied for an intangible asset to be recognised separately from goodwill in an acquisition is that the intangible asset must be clearly identifiable, in that it either;

- be separable, that is, be capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset, or liability; or
- arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets represent customer relationships recognized following the Transaction. The estimated useful lives of the Company's intangible assets are as follows:

	Years
Software	4
Customer relationships related to asset management	11
Customer relationships related to retail brokerage	10

3.7 Business combination

Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition are expenses as incurred. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized directly in the statement of income.

3.8 Provisions

A 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 in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Employees' end of service benefits liability

The liability for employees' end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuation being conducted at end of annual reporting period. The related liability recognised in the statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

Current service cost and the commission expense arising on the end of service benefits liability are recorded in the statement of income. Re-measurement of defined benefit liability, which comprise of actuarial gains and losses, are recognised immediately in the other comprehensive income.

3.10 Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.11 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the year-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

3.12 Assets under management

The Company offers assets management services to its customers, which include management of certain mutual funds and discretionary portfolios management. Such assets are not treated as assets of the Company and accordingly are not included in the financial statements.

3.12 Margin finance receivables

Margin lending receivables are initially recognized when the underlying funds are disbursed to customers. They are derecognized when either customers repay their obligations, or the balance is written off, or substantially all the risks and rewards of ownership are transferred to another party.

3.13 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

3.14 Clients' cash accounts

The Company holds cash in clients' cash accounts with SABB to be used for investments on their behalf. Such balances are not included in the financial statements.

3.15 Expenses

Salaries and other employee related expenses are those which specifically relate to employee costs. All other expenses other than employees' costs, premises related expenses, special commission expense on short term borrowings, depreciation, financial charges and for ECL are classified as general and administrative expenses.

3.16 Zakat and taxation

<u>Current income tax and zakat</u>

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

(Amount in SAR 000s')

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Impairment of non-financial assets

Property and equipment and other non-financial assets

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

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

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

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

3.18 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligation cannot be measured with reasonable reliability. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

4. CASH AND CASH EQUIVALENTS

	As at 31 December 2022	**As at 31 December 2021**
Cash in hand	**15**	1
Cash at bank - current account	**50,157**	59,268
	50,172	59,269

5. MARGIN DEPOSIT WITH CLEARING HOUSE

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

6. TIME DEPOSITS

Time deposits are placed with The Saudi British Bank ("SABB") and carry profit at commercial rates, with maturity up to October 2023 (2021: March 2022).

(Amount in SAR 000s')

7. RECEIVABLES FROM ASSET MANAGEMENT

This represents management fees receivable from customers in relation to mutual funds and discretionary portfolio management services provided by the Company.

8. MARGIN FINANCE RECEIVABLES

The Company extends margin lending facilities on a selective basis to its customers for the purpose of investing in the Saudi Exchange ("Tadawul"). These facilities are extended up to a maximum period of one year and bear special commission rate based on base rate (3M SAIBOR) plus a specific percentage as per policy according to the amount of limit obtained. The facilities are collateralised by underlying equities and cash held in the customers' investment accounts. The facilities are reviewed at least on an annual basis.

	Note	As at 31 December 2022	As at 31 December 2021
Gross margin finance receivables		**1,190,660**	81,070
Less: allowance for expected credit losses	*8.1*	**(1,334)**	(97)
		1,189,326	80,973

8.1 Following is the movement of the allowance for expected credit losses:

	As at 31 December 2022	As at 31 December 2021
Opening balance	**97**	-
Charge for the year	**377**	97
Transfer of ECL *	**860**	-
Closing balance	**1,334**	97

*This represents the ECL on margin finance receivables, that have been transferred post acquisition from HSBC Saudi Arabia to the Company.

(Amount in SAR 000s')

9. INVESTMENTS HELD AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)

As at 31 December 2022, investments held at FVSI comprises of investment in the units of funds managed by the Company and shares of companies listed on Tadawul which are recorded at fair value.

	Note	As at 31 December 2022	As at 31 December 2021
Cost		**41,467**	118,259
Net unrealized gain on investments held at FVSI		**96**	6,000
	9.1 & 9.2	**41,563**	124,259

9.1 Following is the breakdown of the investments in mutual funds managed by the Company:

	As at 31 December 2022	As at 31 December 2021
Al-Yusr Saudi Riyal Morabaha Fund	**-**	17,620
Saudi Riyal Money Market Fund	**-**	30,007
Al Yusr Morabaha & Sukuk Fund	**36,860**	76,632
Alawwal Invest MSCI Tadawul 30 Saudi ETF	**1,501**	-
	38,361	124,259

9.2 Following is the breakdown of the investments in shares of companies listed on Tadawul:

	As at 31 December 2022	As at 31 December 2021
The Power and Water Utility Company for Jubail and Yanbu – Marafiq	**412**	-
Saudi Aramco Base Oil Company – Luberef	**2,790**	-
	3,202	-

10. INVESTMENTS HELD AT FAIR VALUE THROUGH STATEMENT OF COMPREHENSIVE INCOME (FVOCI)

As at 31 December 2022, investments held at FVOCI comprises of Tier 1 Sukuks issued by Saudi National Bank which are recorded at fair value:

	As at 31 December 2022	As at 31 December 2021
Cost	**50,000**	-
Net in fair value of investments held at FVOCI	**(209)**	-
	49,791	-

(Amount in SAR 000s')

11. PREPAYMENTS AND OTHER ASSETS

	As at 31 December 2022	As at 31 December 2021
Prepaid expenses	**1,911**	361
International custodian	**12,462**	-
Receivables from clearing account (Omnibus)	**12,900**	38
Financing to international brokerage	**3,200**	1,065
Others	**5,268**	26
	35,741	1,490

Other assets mainly include input value added tax of SAR 4.6 million (2021: SAR nil) and others of SAR 0.5 million (2021: SAR 26 thousands).

12. INVESTMENTS HELD AT AMORTISED COST

	As at 31 December 2022	As at 31 December 2021
Investments in sukuk carried at amortised cost	**101,336**	-

The following table represents the movement of investments in sukuk measured at amortised costs during the year:

	2022	2021
Carrying amount as at 1 January	**-**	**-**
Additions during the year	**98,989**	**-**
Income amortised during the year	**2,347**	**-**
Carrying amount as at 31 December	**101,336**	-

There was no ECL recognised for the year ended 31 December 2022 due to the insignificance of the amount as the investment held at amortised cost pertains to the investments in sovereign sukuks.

13. RIGHT OF USE ASSET

Right of use asset relates to leased property (office building – 10 years' contract ending in 2023).

	As at 31 December 2022	As at 31 December 2021
Cost		
Balance at the beginning of the year	**6,596**	6,596
Additions	**-**	**-**
Balance at the end of the year	**6,596**	6,596
Accumulated depreciation		
Balance at the beginning of the year	**3,958**	2,638
Charge for the year	**1,319**	1,320
Balance at the end of the year	**5,277**	3,958
Balance at 31 December	**1,319**	2,638

(Amount in SAR 000s')

14. PROPERTY AND EQUIPMENT

	2022		2021
	Equipment	Total	Total
Cost			
Balance at the beginning of the year	-	-	-
Acquired through business combination	359	359	-
Balance at the end of the year	**359**	**359**	**-**
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Charge for the year	18	18	-
Balance at the end of the year	**18**	**18**	**-**
Net book value			
Balance at 31 December	**341**	**341**	**-**

15. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	As at 31 December 2022	As at 31 December 2021
Software	1,183	-
Provisional amounts arising from business combination		
Customer relationship – asset management	111,116	-
Customer relationship – retail brokerage (including margin finance)	117,304	-
Total	**229,603**	**-**

	2022				2021
	Software	Customer relationship – asset management	Customer relationship – retail brokerage	Total	Total
Cost					
As at 1 January	-	-	-	-	-
Addition through business combination (note 23)	276	113,700	119,800	233,776	-
As at 31 December	**276**	**113,700**	**119,800**	**233,776**	**-**
Accumulated amortization					
As at 1 January	-	-	-	-	-
Charge for the year	22	2,584	2,496	5,102	-
As at 31 December	**22**	**2,584**	**2,496**	**5,102**	**-**
NBV as at 31 December	**254**	**111,116**	**117,304**	**228,674**	**-**
Capital work in progress	929	-	-	929	-
Balance at 31 December	**1,183**	**111,116**	**117,304**	**229,603**	**-**

Customer relationship

Acquired customer relationships are recognized at their "fair value" upon initial recognition. Customer relationships are amortized using the straight-line method over the useful lives of the asset, which are estimated to be 11 years for asset management and 10 years for retail brokerage. Please refer to note 23 for further details.

(Amount in SAR 000s')

16. SHORT-TERM BORROWINGS

The Company has an overdraft credit facility of SAR 2,600 million (2021: SAR 600 million) from SABB to finance margin lending facilities. As at 31 December 2022, the amount of this facility utilized by the Company amounted to SAR 833.3 million (2021: SAR 80.8 million) and carries special commission rate of three months SAIBOR (2021: three months SAIBOR).

16.1 Reconciliation of movements of short-term borrowings to cash flows arising from financing activities:

	2022	**2021**
Balance as at 1 January	**80,813**	164,417
Accrued special commission expense for the year	**-**	1,214
Net borrowings / (repayments) from short-term borrowings	**752,473**	(84,818)
Balance as at 31 December	**833,286**	80,813

17. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company transacts with related parties on mutually agreed terms approved by the Company's Board of Directors. Related parties include The Saudi British Bank ("the Parent") and its affiliated companies, funds managed by the Company, the Board of Directors, its committees and key management personnel. The significant transactions with related parties and the related amounts other than those disclosed elsewhere in these financial statements are as follows:

		For the year ended	
	Relationship	**31 December 2022**	**31 December 2021**
Fee for custody and other services	Parent	**-**	688
Special commission income on term deposit	Parent	**6,453**	2,927
Special commission expense	Parent	**20,043**	1,214
Management fee from mutual funds	*Mutual funds managed by the Company	**32,983**	8,908
Transfer of EOSB (note 21)	Affiliate	**33,049**	1,346
Gain on bargain purchase on business combination (note 23)	Affiliate	**113,500**	-
Operating expenses charged by SABB under Service Level Agreement (note 17.1)	Parent	**11,854**	9,680

During the year ended 31 December 2022, the Company acquired certain operations from HSBC Saudi Arabia ("Affiliate"). Details of the business combination are disclosed in note 23 to these financial statements.

*****Mutual funds comprise of following funds that are managed by the Company:*

SAR Money Market Fund
Saudi Equity Fund
Alyusur Saudi Equity Fund
Financial Ins. Equity Fund
Alyusur Morabaha Fund
Alyusur Morabaha & Sukuk Fund
GCC Equity Fund
Saudi Riyal Murabaha Fund
US Dollar Murabaha Fund
Saudi Construction & Cement Companies Equity Fund
China & India Equity Freestyle Fund
Global Equity Index Fund
Saudi Companies Equity Fund
Saudi Financial Institution Equity Fund
Saudi Industrial Companies Equity Fund
Saudi Freestyle Equity Fund
Saudi Equity Income Fund
Saudi Equity Fund
GCC Equity Fund
GCC Equity Income Fund
Multi Assets Defensive Fund
Multi Assets Balanced Fund
Multi Assets Growth Fund
Sukuk Fund
Alawwal Invest MSCI Tadawul 30 Saudi ETF

(Amount in SAR 000s')

17. RELATED PARTY TRANSACTIONS (continued)

17.1 SABB provides certain services to the Company as per Service Level Agreement (the "Agreement") signed between the Company and the Bank. These services include support for IT, finance, human resource, legal and other administrative functions. SABB collects and makes payments for and on behalf of the Company and maintains bank accounts of Company's brokerage customers.

The following balances are outstanding in respect of related parties:

	Note	Relationship	As at 31 December 2022	As at 31 December 2021
Due to related party				
(a) Payable to SABB	*17a*	Parent	**113,552**	75,216
(b) Payable to affiliates	*17b*	Affiliate	**22,251**	-
			135,803	75,216
Short term borrowings	*16.1*	Parent	**833,286**	80,813
Management fees receivable		Mutual Funds	**12,851**	1,037

17 (a) This mainly represents payable of net balance on intercompany transactions with SABB.

17 (b) This mainly represents payable of net balance to the affiliate HSBC Saudi Arabia.

Remuneration and compensation of Board of Directors, committees and key management personnel is as follows:

	2022	2021
Board of directors and committee members	**1,525**	1,250
Key management personnel	**23,943**	9,096

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	As at 31 December 2022	As at 31 December 2021
Accrued employees benefits		**28,840**	4,268
Integration cost	*18.1*	**18,204**	22,282
Accrued rebate and redemption		**15,230**	-
Payable to broker		**5,830**	113
Other	*18.2*	**26,223**	8,829
		94,327	35,492

18.1 Integration costs relates to consulting services comprising of legal, finance, project management and IT support in relation to the business combination as disclosed in note 23 to these financial statements.

18.2 Other accruals include professional and consultancy charges, communication expenses and other general accruals.

(Amount in SAR 000s')

19. ZAKAT AND INCOME TAX PAYABLE

	31 December 2022	31 December 2021
Zakat expense for the year	**14,500**	9,410

19.1 The principal elements of the Company's zakat base are as follows:

	31 December 2022	31 December 2021
Share capital	**276,000**	276,000
Provisions and reserves	**52,986**	89,056
Zakat base	**328,986**	365,056
Zakat charge for the current year	**8,457**	9,410
Zakat charge for increase in capital	**6,043**	-
	14,500	9,410

19.2 Movement in zakat and income tax provision

	Note	31 December 2022	31 December 2021
Balance as at the beginning of the year		**9,878**	9,686
Zakat provision during the year	*19.1*	**14,500**	9,410
Payments / adjustment during the year for prior years		**(8,615)**	(9,218)
Balance at the end of the year		**15,763**	9,878

19.3 Status of assessment

The Company has filed all zakat and tax returns up to the year ended 31 December 2021. The tax/zakat assessment of the Company is finalized up to the year ended 31 December 2018. There were no assessments received for the years 2019 till 2021.

The Company's zakat and tax return for the year ended 31 December 2022 is due to be filed on or before 30 April 2023.

(Amount in SAR 000s')

20. LEASE LIABILITY

	2022	**2021**
Balance as at 1 January	**4,108**	4,031
Finance charge for the year	**51**	77
Payment for lease liability	**(2,790)**	-
Balance as at 31 December	**1,369**	4,108

	Gross future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	**1,395**	**26**	**1,369**
	1,395	**26**	**1,369**

	Gross future minimum lease payments	**Interest**	**Present value of minimum lease payments**
Less than one year	2,790	51	2,739
Between one to five years	1,395	26	1,369
	4,185	77	4,108

21. EMPLOYEES' END OF SERVICE BENEFITS

The movement in EOSB for the year ended 31 December is as follows:

	Note	**31 December 2022**	**31 December 2021**
Balance at the beginning of the year		**11,605**	12,968
EOSB cost charged to statement of income	*21.2*	**3,633**	1,574
Re-measurement loss / (gain) recognized in other comprehensive income		**462**	(859)
Transfer of EOSB	*21.1*	**33,049**	1,346
Benefits paid during the year		**(855)**	(3,424)
Balance at the end of the year		**47,894**	11,605

21.1 This represents the employee benefits in relation to the employees that have been transferred during the year from SABB and HSBC Saudi Arabia to the Company.

21.2 The breakdown of EOSB costs for the year ended 31 December is as follows:

	2022	**2021**
Current service cost	**3,337**	1,346
Interest cost	**296**	228
EOSB costs charged to statement of income	**3,633**	1,574

(Amount in SAR 000s')

21. EMPLOYEES' END OF SERVICE BENEFITS (continued)

21.3 Principal actuarial assumptions

Particulars	**2022**	**2021**
Discount rate	**4.08% pa**	2.65% pa
Expected rate of salary increase - *short term*:	**4.08% pa**	4.00% pa
Expected rate of salary increase - *long term*:	**4.08% pa**	2.70% pa

Sensitivity of actuarial assumption

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December to the discount rate and salary escalation rate.

	Impact on defined benefit obligation - increase / (decrease)		
Base scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
2022			
Discount rate	**1%**	**(2,217)**	**2,438**
Expected rate of salary increase	**1%**	**2,534**	**(2,217)**
2021			
Discount rate	1%	(826)	936
Expected rate of salary increase	1%	952	(856)

The above sensitivity analysis is based on a change in an assumption holding all other assumptions constant. The weighted average duration of the defined benefit obligation is 4.86 years (2021: 7.59 years).

Maturity profile

The maturity profile of the defined benefit obligation is as follows:

	2022	**2021**
Distribution of timing of benefit payments		
Year 1	**7,631**	1,305
Year 2	**6,549**	725
Year 3	**7,489**	709
Year 4	**5,209**	780
Year 5	**5,064**	900
Year 6 to Year 10	**15,850**	3,685
Year 11 and above	**11,807**	5,059

22. SHARE CAPITAL AND STATUTORY RESERVES

Share capital

In extraordinary general assembly meeting (EGM) held on 10 March 2022, SABB approved the recommendation from Alawwal Invest's Board of Directors to increase the share capital of the Company from SAR 400,000,000 to SAR 840,000,000 by way of capital injection comprising of 84,000,000 shares (2021: 40,000,000 shares) of SAR 10 each (2021: SAR 10 each), which are fully paid and owned by SABB.

Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholder.

23. BUSINESS COMBINATION

During the year ended 31 December 2022, sale and transfer of the asset management, margin lending and brokerage business lines from HSBC Saudi Arabia (as Seller) to Alawwal Invest Company (as Buyer) was completed. It was announced earlier on the Saudi Exchange (Tadawul) dated 6/10/1442H (corresponding to 18 May 2021). On 15 September 2022, the Company has executed the purchase transaction from the Seller according to the amended and restated business transfer agreement.

The business acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with Alawwal Invest Company being the acquirer of the lines of business from HSBC Saudi Arabia. As required by the Standard, Alawwal Invest Company is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. The Company has, however, accounted for the acquisition based on provisional fair values of the acquired assets and assumed liabilities as at the acquisition date. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by the Standard.

The transaction enables the Company to strategically widen the service offering to a large base of clients across the Kingdom taking one step closer to the fulfillment of the Parent's commitment towards helping its customers achieve long -term value creation by giving them access to one of Saudi Arabia's leading wealth and asset management platforms. The transaction will also allow the Company to acquire scale and significantly enhance its position in the asset management and retail brokerage businesses in the Kingdom.

a. Purchase consideration

The purchase consideration for sale and transfer of the business lines amounted to SAR 1,216.8 million. The sale and transfer comprises identified assets amounting to SAR 1,411 million with total liabilities assumed amounting to SAR 80.7 million, resulting in provisional gain on bargain purchase of SAR 113.5 million. This has been reflected in the statement of income of the Company for the year ended 31 December 2022.

b. Business combination related costs

During the year ended 31 December 2022, the Company incurred related integration and transaction costs on account of fees paid to third parties for legal, valuation and transaction services as well as costs of in-house staff and third party consultants working on the acquisition amounting to SAR 53.95 million (2021: SAR 37.36 million). These costs have been included in 'Salaries and employee related expenses' and 'Other general and administrative expenses' in the statement of income amounting to SAR 6.53 million (2021: SAR 3.76 million) and SAR 47.47 million (2021: SAR 33.59 million), respectively.

(Amount in SAR 000s')

23. BUSINESS COMBINATION (continued)

c. Valuation approach and methodologies – other intangibles

Customer relationship – Assets management and retail brokerage (including margin lending)
The Company has estimated the value of customer relationship using an income approach, specifically the Multi-period Excess Earning Method ("MEEM"), which is a commonly accepted method for valuation of customer relationship.

The Company has adopted the discounted cash flows method, a form of the income approach, in valuation of the customer relationship intangible on the existing customers' revenue. The value of the customer relationship intangible is the present value of the expected future revenue from the acquired customers of asset management and retail brokerage (including margin lending) business.

The analysis has considered direct costs, indirect costs and contribution asset charges relating to the acquired customer relationship intangible assets. The assumed attrition rates are based on a historical analysis of the existing customers.

d. Identifiable assets acquired and liabilities assumed

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition:

	As at 15 September 2022 *(Amounts in SAR million)*
Assets	
Fixed assets	**0.7**
Margin finance receivables	**1,169.1**
Current assets	**7.7**
Total assets	**1,177.5**
Liabilities	
Accrued expenses and other liabilities	**(80.7)**
Total liabilities	**(80.7)**
Net asset as at acquisition date	**1,096.8**
Provisional amount arising from the acquisition:	
Intangible assets:	
- Customer relationship – asset management business	**113.7**
- Customer relationship – brokerage business (including margin lending)	**119.8**
Total identifiable intangible assets	**233.5**
Gain on bargain purchase	**(113.5)**
Total purchase consideration	**1,216.8**

(Amount in SAR 000s')

23. BUSINESS COMBINATION (continued)

e. Acquired receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected are as follows:

	Fair value of the acquired receivables	Gross contractual Amount receivable	The contracted cash flows not expected to be collected
	(Amounts in SAR million)		
Margin finance receivables	**1,169.1**	**1,169.1**	**-**
Other assets	**7.7**	**7.7**	**-**
Total	**1,176.8**	**1,176.8**	**-**

f. Purchase price allocation

The Company is in the process of undertaking a comprehensive purchase price allocation which is expected to be completed within 12 months from the acquisition date and will focus on, but is not limited to, finalising valuation adjustments to the following:

- Recognition of intangible assets including customer relationship of asset management and retail brokerage business;
- Margin finance receivables;
- Fixed assets; and
- Current assets

A provisional purchase price allocation has been included in the financial statements. Subsequent adjustments during the measurement period will occur as the Company completes its estimation of fair values of assets acquired and liabilities assumed. The accounting for the fair value of the acquired financial assets and liabilities is provisional due to the inherent complexity and judgement associated with identifying intangible assets and determining the fair value of identified intangible assets and on-balance sheet items.

g. Impact on Company's results

If the acquisition had occurred on 1 January 2022, management estimates that combined operating income for the year would be SAR 233 million. In determining these amounts, the Company has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

24. CLIENTS' CASH ACCOUNTS

As at 31 December 2022, the Company holds clients' cash accounts amounting to SAR 3.73 billion (2021: SAR 1.06 billion), to be used for investments on the clients' behalf. Consistent with its accounting policy, such balances are not included in the Company's financial statements as the Company holds these in fiduciary capacity.

25. ASSETS UNDER MANAGEMENT

These represent the mutual funds', and discretionary portfolios' assets related to the funds of the investors managed by the Company, which amount to SAR 15.75 billion as at 31 December 2022 (2021: SAR 1.84 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

(Amount in SAR 000s')

26. ASSET MANAGEMENT FEE

	For the year ended	
	31 December 2022	**31 December 2021**
Management fee from mutual funds (note 17)	**32,983**	8,908
Management fee from discretionary portfolio management	**12,473**	132
	45,456	9,040

27. SPECIAL COMMISSION INCOME

	For the year ended	
	31 December 2022	**31 December 2021**
Special commission income on:		
- Margin finance	**30,491**	4,124
- Time deposits	**10,069**	3,054
- Investment held at amortised cost	**2,082**	-
	42,642	7,178

28. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	31 December 2022	**31 December 2022**
Integration expenses (note 18.1)	**47,469**	33,593
Expenses under Service Level agreement (note 17.1)	**11,854**	9,680
Communication expenses	**2,986**	1,240
Traveling	**117**	36
Stationery and printing	**109**	100
Other expenses (note 28.1)	**12,012**	6,392
Total	**74,547**	51,041

28.1 Other expenses include professional consultancy, audit fees, Directors fees, value added tax and others.

(Amount in SAR 000s')

29. FAIR VALUE MEASUREMENTS

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

Level 1: Quoted 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 carrying amounts and fair values of assets and liabilities measured at fair value, including their levels in the fair value hierarchy. All fair value measurements disclosed are recurring fair value measurements.

	31 December 2022				
Financial assets measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVSI	**41,563**	**4,703**	**36,860**	**-**	**41,563**
Investments held at FVOCI	**49,791**	**-**	**49,791**	**-**	**49,791**
	91,354	**4,703**	**86,651**	**-**	**91,354**

	31 December 2021				
Financial assets measured at fair value	Carrying value	Level 1	Level 2	Level 3	Total
Investments held at FVSI	124,259	-	124,259	-	124,259

The fair value of investments classified within Level 2 is based on the net asset value ("NAV") available on Tadawul as at 31 December 2022 and the fair value of investments classified within Level 1 is based on the quoted price available on Tadawul as at 31 December 2022.

There were no transfers between fair value measurement categories.

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value since they are not significantly different from the carrying values included in the financial statements and are classified at level 3. The fair values of investment held at the amortised cost is classified at level 2 SAR 94 million (2021: nil). The fair value of commission bearing deposits, margin finance receivables, cash and bank balances, accounts receivable, and other assets which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. Similarly, financial liabilities carried at cost such as due to related party, short-term borrowings and other liabilities approximate fair values, being short-term in nature.

(Amount in SAR 000s')

30. RISK MANAGEMENT

The Board of Directors of the Company are responsible for the overall risk management framework and for approving the risk management strategies and principles. The Company manages its business risks in the creation, optimization and protection of enterprise value as well as creation of value for its investors. Therefore, Risk management is an integral part of corporate strategy to ensure effectiveness and value addition. Risk management goal is to understand and manage the risks rather than to avoid it.

The Company has designed its risk management framework to identify measure, monitor, mitigate, insure and reassess its key risks based upon changes in internal and external environment.

The framework supports to achieve its strategic objective to optimize the risk return trade-off by either maximizing return for a given level of risk or reduce the risk for a given level of return. The Risk Management division, which is a vital link between business lines and management, develops and communicates risk appetite to risk owners and continuously monitors it to ensure risk exposures are within management's acceptable level.

Financial instruments carried on the statement of financial position include cash and cash equivalents, margin deposit with clearing house, time deposit, margin finance receivables, investments carried at FVSI, investments carried at amortised cost, other receivables, short term borrowings, lease liability and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset, and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

30.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit risk including evaluation of customers' credit worthiness, formal credit approvals and obtaining collateral.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The table below shows the maximum exposure to credit risk for the components of the financial statements.

	As at 31 December 2022	**As at 31 December 2021**
Cash and cash equivalents	**50,157**	59,268
Margin deposit with clearing house	**43,701**	-
Time deposits	**303,135**	410,000
Receivables from asset management	**24,308**	1,037
Margin finance receivables, net	**1,189,326**	80,973
Investments held at amortized cost	**101,336**	-
Other assets	**33,830**	1,129
	1,745,793	552,407

(Amount in SAR 000s')

30. RISK MANAGEMENT (continued)

Credit quality analysis

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

As at 31 December 2022	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	**50,157**	**-**	**-**	**50,157**
Margin deposit with clearing house	**-**	**-**	**43,701**	**43,701**
Time deposits	**303,135**	**-**	**-**	**303,135**
Receivables from asset management	**-**	**-**	**24,308**	**24,308**
Margin finance receivables, net	**-**	**-**	**1,189,326**	**1,189,326**
Investments held at FVSI	**-**	**41,563**	**-**	**41,563**
Investments held at FVOCI	**-**	**49,791**	**-**	**49,791**
Other assets	**-**	**-**	**33,830**	**33,830**
Investments held at amortized cost	**101,336**	**-**	**-**	**101,336**
Total	**454,628**	**91,354**	**1,291,165**	**1,837,147**

As at 31 December 2021	Investment grade	Non-investment grade	Unrated	Total
Financial assets				
Cash and cash equivalents	59,268	-	-	59,268
Time deposits	410,000	-	-	410,000
Margin finance receivables, net	-	-	80,973	80,973
Receivables from asset management	-	-	1,037	1,037
Investments held at FVSI	-	124,259	-	124,259
Other assets	-	-	1,129	1,129
Total	469,268	124,259	83,139	676,666

Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities, related group of counterparties, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of company's performance to developments affecting these counterparties.

The Company seeks to mitigate its overall credit risk exposure through sound risk strategies, establish credit limits, segment diversification and ensures there are sound internal control.

Procedures for identifying and recording and monitoring all large exposures are managed as per thresholds defined by the regulator.

The Company has defined large exposures as an exposure to a counterparty or group of connected counterparties that exceeds 10% of the capital base.

Cash at bank and time deposits

The Company kept its surplus funds and placements with SABB and AlRajhi bank having stable credit rating. SABB's long term debt and short term debts are rated as BBB+ and F2 as per Fitch's and A2 and P-1 as per Moody's ratings. AlRajhi bank's long term debt and short debts are rated as A- and F2 as per Fitch's and A1 and P-1 as per Moody's ratings.

(Amount in SAR 000s')

30. RISK MANAGEMENT (continued)

Margin finance receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and the country in which customers operate.

As at 31 December 2022, the margin finance receivables are neither past due nor credit impaired. The facilities are collateralized by underlying equities and cash held in the customers' investment accounts, that amounted to SAR 5,078 million (2021: SAR 510.39 million).

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

30.2 Market risk

Currency risk
Currency risk is the risk that the value of a financial investment may fluctuate due to change in foreign exchange rates. Management closely monitors the exchange rate fluctuations and believes that there is a minimal risk of losses due to exchange rate fluctuations as the Company primarily deals with Saudi Arabian Riyals.

Commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments. The Company's commission rate risk arises mainly from margin lending receivables, short-term borrowings and time deposits with SABB. The Company has limited commission rate risk due to the short-term maturity of these financial instruments.

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 years**	**Non commission bearing**	**Total**
31 December 2022					
Cash and cash equivalents	-	-	-	**50,172**	**50,172**
Margin deposit with clearing house	-	-	-	**43,701**	**43,701**
Time deposits	-	**303,135**	-	-	**303,135**
Receivables from asset management	-	-	-	**24,308**	**24,308**
Margin finance receivables	**294,202**	**895,124**	-	-	**1,189,326**
Investment held at FVSI	-	-	-	**41,563**	**41,563**
Investment held at FVOCI	-	-	**49,791**	-	**49,791**
Other assets	-	-	-	**33,830**	**33,830**
Investments held at amortized cost	-	-	**101,336**	-	**101,336**
Total financial assets	**294,202**	**1,198,259**	**151,127**	**193,574**	**1,837,162**
Short-term borrowing	-	**833,286**	-	-	**833,286**
Accrued expenses and other liabilities	-	-	-	**94,327**	**94,327**
Total financial liabilities	-	**833,286**	-	**94,327**	**927,613**
Cumulative commission rate sensitivity gap	**294,202**	**364,973**	**151,127**	**99,247**	**909,549**

(Amount in SAR 000s')

30. RISK MANAGEMENT (continued)

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 years**	**Non commission bearing**	**Total**
31 December 2021					
Cash and cash equivalents	-	-	-	59,269	59,269
Time deposits	410,000	-	-	-	410,000
Receivables from asset management	-	-	-	1,037	1,037
Margin finance receivables	80,973	-	-	-	80,973
Investment held at FVSI	-	-	-	124,259	124,259
Other assets	-	-	-	1,129	1,129
Total financial assets	490,973	-	-	185,694	676,667
Short-term borrowing	80,813	-	-	-	80,813
Accrued expenses and other liabilities	-	-	-	35,492	35,492
Total financial liabilities	80,813	-	-	35,492	116,305
Cumulative commission rate sensitivity gap	410,160	-	-	150,202	560,362

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 exposed to market risk with respect to its investments in mutual funds. The Company limits market risks by only investing in the mutual funds managed by the Company.

Management's best estimate of the effect on statement of income due to a reasonably possible change in aggregate NAV of all the mutual funds invested in, with all other variables held constant is indicated in the table below. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

		Effect on statement of income for the year ended	
Variable	**Change in %**	**31 December 2022**	**31 December 2021**
Investment held at FVSI	**±5**	**±2,078**	±6,213

30.3 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that sufficient funds are available to meet any commitment as they arise. All financial liabilities of the Company at the statement of financial position are having contractual maturity of within 1 year, hence the impact of undiscounting is not significant.

30.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements. The Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels.

The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. As at December 31, 2022, the Company was in compliance with the externally imposed capital restrictions.

(Amount in SAR 000s')

31. RESTATEMENT OF COMPARATIVE FIGURES

During the year, the Company performed an exercise to determine if the presentation of the statement of financial position and statement of cash flows are in accordance with IAS 1 "Presentation of financial statements" and IAS 7 "Statement of cash flows" respectively. This exercise resulted in reclassification of certain line items in the financial statements. This exercise resulted in restatement of certain line items in the financial statements. A third financial position has not been presented as there is no impact of the restatement on the opening balances of the comparative information as presented in the statement of financial position Further, such reclassifications have not resulted in changes in last year's reported net loss, total assets and total equity.

(a) Reclassification of receivables from asset management
Receivables from asset management were presented as part of "Prepayment and other assets" on the statement of financial position. These receivables result from revenue recognised under IFRS 15 "Revenue from contracts with customers" and are of dissimilar nature to the items presented as part of "Prepayment and other assets". As such, receivables from asset management are disclosed as a separate line item on the statement of financial position to comply with the requirements of IAS 1.

(b) Presentation of expected credit loss on the statement of cash flows
Expected credit loss arising on margin finance receivables was not included as part of adjustment for non-cash items and not added back to income or loss before taxation under operating activities. Expected credit loss was presented as part of movement in margin finance receivables in the statement of cash flows. The comparatives have therefore been adjusted to be included as a non cash adjustment to profit and loss.

The impact of the above restatements is as follows:

Impact on statement of financial position:

	As at 31 December 2021		
	As previously stated	**Restatement**	**Restated**
Receivables from asset management	**-**	**1,037**	**1,037**
Prepayments and other assets	**2,527**	**(1,037)**	**1,490**

There is no impact of the restatement on the opening balances of the comparative information as presented in the statement of financial position as at 1 January 2021.

Impact on the statement of cash flows:

	As at 31 December 2021		
	As previously stated	**Restatement**	**Restated**
Expected credit loss on margin financing receivable	**-**	**97**	**97**
Decrease in margin finance receivables	**83,489**	**(97)**	**83,392**
Increase in receivables from asset management	**-**	**(329)**	**(329)**
(Increase) in prepayments and other assets	**(1,099)**	**329**	**(770)**
Net cash generated from operating activities	**111,550**	**-**	**111,550**
Net cash generated from investing activities	**25,593**	**-**	**25,593**
Net cash used in financing activities	**(83,604)**	**-**	**(83,604)**
Net increase in cash and cash equivalents	**53,539**	**-**	**53,539**

32. SUBSEQUENT EVENTS

There was no subsequent event after the statement of financial position date which requires adjustment to / or disclosure in the financial statements.

33. APPROVAL OF FINANCIALS STATEMENTS

These financials statements were approved by the Board of Directors on 7 Ramadan 1444H, corresponding to 29 March 2023.