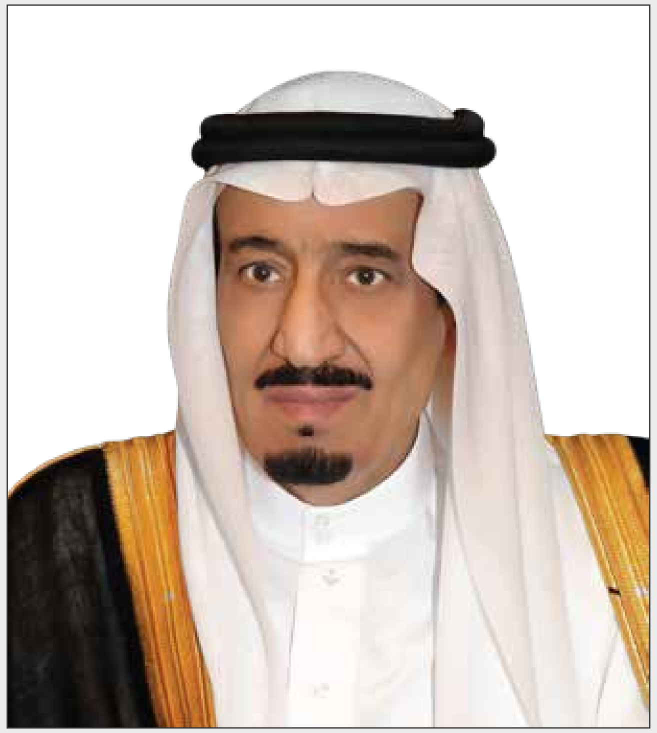
Alawwal Invest Company (SAB Invest)

(A One-Person Closed Joint Stock Company)

الأول للاستثمار
SAB Invest

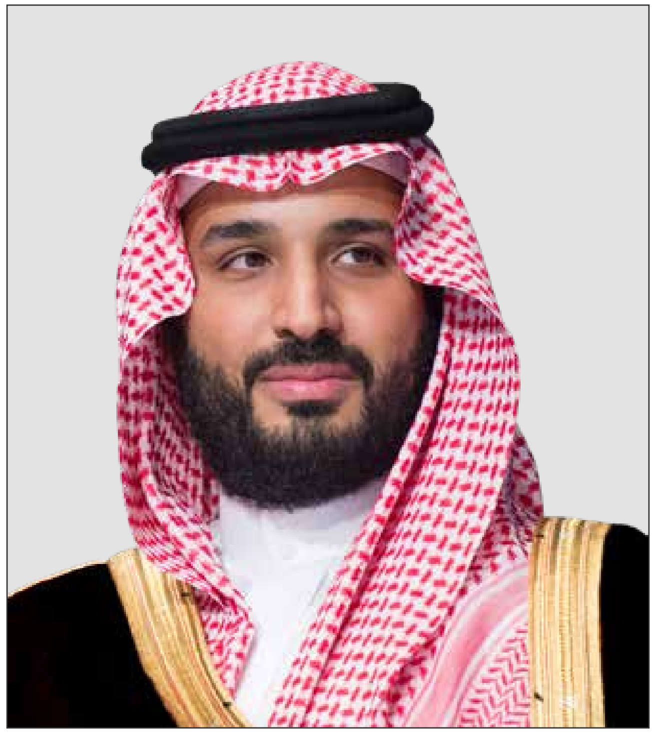
Financial Statements and Independent Auditor's Report

For the Year Ended 31 December 2024



The Custodian of the Two Holy Mosques

King Salman Bin Abdulaziz Al Saud



His Royal Highness Crown Prince

Mohammad Bin Salman Bin Abdulaziz Al Saud

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

INDEX **PAGE**

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alawwal Invest Company (SAB Invest) (the "Company") as at 31 December 2024, 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 2024;
- 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, comprising material accounting policy information 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.

Other information

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

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

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

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

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

Responsibilities of Board of Directors and those charged with governance for the financial statements

The Board of Directors 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 Article of Association, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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.

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License number 447

20 March 2025

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

ALAWWAL INVEST COMPANY (SAB INVEST)
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Amounts in SAR '000s')

	Note	**As at 31 December 2024**	**As at 31 December 2023**
ASSETS			
Cash and cash equivalents	*4*	**30,007**	14,524
Margin deposit with clearing house, net	*5*	**60,148**	51,469
Time deposits, net	*6*	**137,440**	276,487
Investments held at fair value through statement of income ("FVSI")	*7*	**150,936**	104,400
Receivables from asset management	*8*	**51,273**	48,736
Margin finance receivables, net	*9*	**1,701,676**	1,199,346
Investments held at fair value through statement of other comprehensive income ("FVOCI")	*10*	**276,596**	130,635
Prepayments and other assets	*11*	**38,482**	22,466
Investments held at amortized cost, net	*12*	**187,990**	166,363
Right of use asset	*14*	**266**	512
Property and equipment	*15*	**1,854**	301
Intangible assets	*16*	**185,607**	200,214
TOTAL ASSETS		**2,822,275**	2,215,453
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Short-term borrowings	*17*	**1,306,450**	892,468
Due to a related party	*18*	**91,663**	119,180
Accrued expenses and other liabilities	*19*	**111,084**	99,265
Zakat and income tax payable	*20*	**30,159**	23,593
Lease liability	*21*	**330**	586
Employees' end of service benefits ("EOSB")	*22*	**44,792**	47,481
TOTAL LIABILITIES		**1,584,478**	1,182,573
SHAREHOLDER'S EQUITY			
Share capital		**840,000**	840,000
Other reserve		**2,675**	1,606
Retained earnings		**395,122**	191,274
TOTAL SHAREHOLDER'S EQUITY		**1,237,797**	1,032,880
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**2,822,275**	2,215,453

The accompanying notes 1 to 35 form an integral part of these financial statements.

Head of Finance | Chairman | Managing Director & CEO

ALAWWAL INVEST COMPANY (SAB INVEST)
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(Amounts in SAR '000s')

	Note	For the year ended 31 December 2024	31 December 2023 (Restated – note 32)
REVENUE			
Asset management fees	*26*	**233,018**	162,924
Brokerage fee income		**58,722**	44,341
Special commission income	*27*	**141,961**	118,676
Income from clients' money	*24*	**116,844**	68,754
Income on investments held at FVSI, net	*28*	**4,053**	11,352
Dividends income		**8,470**	4,747
Other income		**3,433**	213
TOTAL REVENUE		**566,501**	411,007
OPERATING EXPENSES			
Salaries and employee related expenses		**(168,650)**	(141,245)
Premises related expenses		**(8,700)**	(4,077)
Special commission expense on short-term borrowings		**(76,407)**	(66,743)
General and administrative expenses	*29*	**(60,745)**	(60,250)
Depreciation and amortization	*14, 15, 16*	**(23,342)**	(24,524)
Expected credit loss on financial assets	*13*	**(634)**	(216)
Finance charge	*21*	**(18)**	(51)
TOTAL OPERATING EXPENSES		**(338,496)**	(297,106)
INCOME BEFORE ZAKAT AND INCOME TAX		**228,005**	113,901
Zakat and income tax for the year	*20*	**(24,157)**	(17,500)
NET INCOME FOR THE YEAR		**203,848**	96,401
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to statement of income in subsequent years:			
Net changes in fair value of investments held at FVOCI	*10*	**(1,518)**	-
Remeasurement gain on EOSB	*22*	**2,587**	120
TOTAL OTHER COMPREHENSIVE INCOME		**1,069**	120
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**204,917**	96,521

The accompanying notes 1 to 35 form an integral part of these financial statements.

Head of Finance	Chairman	Managing Director & CEO

ALAWWAL INVEST COMPANY (SAB INVEST)
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(Amounts in SAR '000s')

	Note	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2024		**840,000**	**-**	**1,606**	**191,274**	**1,032,880**
Net income for the year		**-**	**-**	**-**	**203,848**	**203,848**
Other comprehensive income		**-**	**-**	**1,069**	**-**	**1,069**
Total comprehensive income		**-**	**-**	**1,069**	**203,848**	**204,917**
Balance as at 31 December 2024		**840,000**	**-**	**2,675**	**395,122**	**1,237,797**
Balance as at 1 January 2023		840,000	27,041	1,486	67,832	936,359
Net income for the year		-	-	-	96,401	96,401
Other comprehensive income		-	-	120	-	120
Total comprehensive income		-	-	120	96,401	96,521
Transfer to retained earnings	*23*	-	(27,041)	-	27,041	-
Balance as at 31 December 2023		840,000	-	1,606	191,274	1,032,880

The accompanying notes 1 to 35 form an integral part of these financial statements.

Head of Finance | Chairman | Managing Director & CEO

ALAWWAL INVEST COMPANY (SAB INVEST)
(A ONE-PERSON CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Amounts in SAR '000s')

	Note	For the year ended 31 December 2024	31 December 2023 (Restated – note 32)
Cash flows from operating activities			
Net income before zakat and income tax for the year		**228,005**	113,901
Adjustments for:			
Income on investments held at FVSI, net	*28*	**(4,053)**	(11,352)
Dividends income		**(8,470)**	(4,747)
Depreciation and amortization	*14, 15, 16*	**23,342**	24,524
Finance charge	*21*	**18**	51
Provision for EOSB	*22.2*	**4,989**	6,312
Expected credit loss on financial assets		**634**	216
		244,465	128,905
Changes in operating assets and liabilities:			
Margin deposit with clearing house		**(8,730)**	(7,768)
Receivables from asset management		**(2,537)**	(24,428)
Margin finance receivables		**(502,791)**	(10,156)
Prepayments and other assets		**(16,016)**	13,318
Due to a related party		**(27,517)**	(16,623)
Accrued expenses and other liabilities		**11,819**	4,938
		(301,307)	88,186
EOSB paid	*22*	**(5,091)**	(7,152)
Zakat paid	*20.2*	**(10,775)**	(5,408)
Income tax paid	*20.2*	**(6,816)**	(4,262)
Net cash (used in) / generated from operating activities		**(323,989)**	71,364
Cash flows from investing activities			
Proceeds on maturity of time deposits		**455,934**	397,682
Purchase of investment in time deposits		**(315,000)**	(370,000)
Purchase of investment held at FVSI		**(78,381)**	(70,503)
Proceeds from sale of investment held at FVSI		**35,908**	19,018
Purchase of investment held at FVOCI		**(147,479)**	(80,844)
Purchase of investment held at amortized cost		**(20,810)**	(64,910)
Purchase of intangible assets	*16*	**(8,962)**	-
Proceed from sale of intangible assets	*17*	**-**	929
Purchase of properties and equipment	*15*	**(1,725)**	(16)
Dividends received		**8,470**	4,747
Net cash used in investing activities		**(72,045)**	(163,897)
Cash flows from financing activities			
Payments for lease liability	*21*	**(274)**	(1,570)
Short-term borrowings, net	*17.1*	**411,791**	58,455
Net cash generated from financing activities		**411,517**	56,885
Net increase / (decrease) in cash and cash equivalents		**15,483**	(35,648)
Cash and cash equivalents at beginning of the year		**14,524**	50,172
Cash and cash equivalents at the end of the year	*4*	**30,007**	14,524
Supplemental non-cash information			
EOSB transferred by parent company	*22*	**-**	547
Remeasurement gain on EOSB	*22*	**(2,587)**	(120)
Addition to right of use asset and lease liability	*21*	**-**	(736)
Special commission received during the year		**262,893**	122,469
Special commission paid during the year		**74,216**	66,016
Net changes in fair value of investments held at FVOCI	*10*	**(1,518)**	-

The accompanying notes 1 to 35 form an integral part of these financial statements.

Head of Finance	Chairman	Managing Director & CEO

1 ORGANIZATION AND ACTIVITIES

Alawwal Invest Company (SAB Invest) ("the Company") is a One-Person Closed Joint Stock Company, a 100% owned subsidiary of the Saudi Awwal Bank ("SAB", "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:

SAB Invest
Head Office
P.O. Box 7287
Riyadh 13325,
Kingdom of Saudi Arabia

On 4 April 2023, the CMA approved the Company's formal request dated 15 February 2023 to update the brand name and English trade name from "AlAwwal Invest Company" to "SAB Invest" with effective date of implementation being 4 April 2023.

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 Organization 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
- Financial assets classified as "at fair value through other comprehensive 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.

2.4 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.

2 BASIS OF PREPARATION (continued)

2.4 Critical accounting judgements, estimates and assumptions (continued)

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 accounting standards require 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 amortization of intangible assets*

The management determines the estimated useful life of its intangible for calculating amortization. This estimate is determined after considering the expected usage of the asset. The management periodically reviews the estimated useful lives, residual values and the amortization method to ensure that the method and years of amortization 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 *Zakat and income tax – (refer to note 3.17)*

2.4.6 *Business combination and valuation of customer relationship*

The Company has exercised judgement in the relation to the business combination with HSBC Saudi Arabia and the acquired intangible asset, customer relationship, as disclosed in note 3.6 of these financial statements.

3 MATERIAL ACCOUNTING POLICIES

The material 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Company

The following standards, interpretations or amendments are effective from the beginning of the current year and are adopted by the Company. The management has assessed that the amendments have no significant impact on the Company's financial statements:

Accounting Standards, interpretations, amendments	**Description**	**Effective from periods beginning on or after**
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

New standards not yet effective

Accounting Standards, interpretations, amendments	**Description**	**Effective periods beginning on or after**
Amendments to IAS 21 - Lack of exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is Not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

(Amounts in SAR '000s')

3 MATERIAL ACCOUNTING POLICIES (continued)

New standards not yet effective (continued)

Accounting Standards, interpretations, amendments	Description	Effective periods beginning on or after
IFRS 18 - Presentation and Disclosure in Financial Statements	The IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: • the structure of the statement of profit or loss; • required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.	1 January 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	1 January 2026
IFRS 19 Subsidiaries without Public Accountability: Disclosures	This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: • it does not have public accountability; and • it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027

3 MATERIAL ACCOUNTING POLICIES (continued)

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and time deposits with original maturities of less than 3 months from the acquisition date, if any, which are subject to insignificant risk of fluctuation in their realisable value. Bank balances that are used to hold client funds are not reported as part of cash and cash equivalents.

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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

***Classification and measurement of financial assets** (continued)*

Debt instruments (continued)

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.

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.

Equity instruments

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 MATERIAL 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, investments at amortized cost, and other assets 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

***Impairment of financial assets** (continued)*

Stages of impairment under IFRS 9 (continued)

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.

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).

Expected credit loss measurement

Margin finance receivables

Staging criteria:

Staging is done in accordance with 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 MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Impairment of financial assets (continued)

Expected credit loss measurement (continued)

Measurement of ECL: (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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

Impairment of financial assets (continued)

Other receivables (continued)

Measurement of ECL: (continued)

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.

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 recognizes 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 recognized 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.

Brokerage income

Brokerage income is recognized 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Revenue from contracts with customers (continued)

Special commission income

Income from margin finance receivables, sukuk interest, and time deposits within the bank is recognized on an accrual basis based on effective commission rate method.

Income from clients' money

Income from clients' money deposited within interest bearing account is recognized overtime as the services are rendered to client.

Income on investments measured at FVSI

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

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:

i Increasing the carrying amount to reflect interest on the lease liability.
ii Reducing the carrying amount to reflect the lease payments made and;
iii 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.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

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.

3.6 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 amortization 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 amortization period and amortization 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 amortization period or method, as appropriate, and treated as changes in an accounting estimate. The amortization expense on intangibles with finite lives is recognize d in the statement of income in the expense category consistent with the function of the intangibles.

Acquired intangibles are recognize d at their 'fair value' upon initial recognition. The specific criteria which need to be satisfied for an intangible asset to be recognize d 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	10
Customer relationships related to retail brokerage	10

3.7 Provisions

A provision is recognized 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 recognized as finance cost in the statement of income.

3 MATERIAL ACCOUNTING POLICIES (continued)

3.8 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 recognized 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 recognize d immediately in the other comprehensive income.

3.9 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.

3.10 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.

3.11 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 SAB 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 income tax

<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 Custom 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.

(Amounts in SAR ‘000s’)

3 MATERIAL 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 2024	**As at 31 December 2023**
Cash in hand	**15**	15
Cash at bank - current account	**29,992**	14,509
	30,007	14,524

5 MARGIN DEPOSIT WITH CLEARING HOUSE, NET

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

	Note	**As at 31 December 2024**	**As at 31 December 2023**
Gross margin deposit with clearing house		**60,199**	51,469
Less: allowance for expected credit losses	*13*	**(51)**	-
		60,148	51,469

6 TIME DEPOSITS, NET

These include sharia compliant time deposits placed with Alrajhi Bank, net of ECL as disclosed in note 13 of these financial statements. These carry profit at commercial rates, with original maturity of more than 90 days and maturing up to October 2025 (2023: December 2024).

(Amounts in SAR '000s')

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

As at 31 December 2024, investments held at FVSI comprises of investment in the units of funds managed by the Company, shares of companies listed on Tadawul which are recorded at fair value & sukuks of MENA region.

	Note	**As at 31 December 2024**	**As at 31 December 2023**
Cost		**145,867**	94,162
Net unrealized gain on investments held at FVSI		**5,069**	10,238
	7.1 & 7.2	**150,936**	104,400

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

	As at 31 December 2024	**As at 31 December 2023**
Al Yusr Morabaha & Sukuk Fund	**20,110**	19,058
SAB Invest MSCI Tadawul 30 Saudi ETF	**1,526**	2,810
SAB Invest Enhanced Murabaha Fund	**53,730**	50,658
	75,366	72,526

7.2 Following is the breakdown of the investments in listed securities:

	As at 31 December 2024	**As at 31 December 2023**
Discretionary portfolio management (DPM – Shares)	**32,440**	31,874
Discretionary portfolio management (DPM – Sukuk)	**43,130**	-
	75,570	31,874

8 RECEIVABLES FROM ASSET MANAGEMENT

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

9 MARGIN FINANCE RECEIVABLES, NET

The Company extends margin / murabaha financing 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 fixed / floating special commission rate based on benchmark rate and agreed spread except for murabaha facilities which are at fixed rates. The facilities are collateralized 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 2024**	**As at 31 December 2023**
Gross margin finance receivables		**1,703,607**	1,200,816
Less: allowance for expected credit losses	13	**(1,931)**	(1,470)
		1,701,676	1,199,346

(Amounts in SAR '000s')

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

As at 31 December 2024, investments held at FVOCI comprises of Tier 1 Sukuks issued by local commercial Banks which are recorded at fair value:

	As at 31 December 2024	As at 31 December 2023
Cost	**278,323**	130,844
Net unrealized loss on investments held at FVOCI	**(1,727)**	(209)
	276,596	130,635

11 PREPAYMENTS AND OTHER ASSETS

	Note	As at 31 December 2024	As at 31 December 2023
Receivables from international custodian	*18*	**19,409**	12,740
Prepaid expenses		**6,275**	2,807
Income from clients' money receivable from SAB	*18.2*	**1,008**	1,252
Financing to international brokerage		**489**	489
Other assets, net	*11.1, 13*	**11,301**	5,178
		38,482	22,466

11.1 Other assets mainly include input value added tax of SAR 4.6 million (2023: SAR 4.6 million) and other receivables of SAR 6.7 million (2023: SAR 0.5 million) relating to the funds' structuring cost which are yet to be operational, net off ECL allowance amounting to SAR 80 thousands (2023: SAR 80 thousands).

12 INVESTMENTS HELD AT AMORTISED COST, NET

	As at 31 December 2024	As at 31 December 2023
Investments in sukuk carried at amortised cost	**187,990**	166,363

Following is the movement of investments in sukuk measured at amortised costs during the year:

	Note	2024	2023
Carrying amount as at 1 January		**166,400**	101,336
Additions during the year		**20,811**	64,910
Income amortised during the year		**6,751**	6,302
Income received during the year		**(5,935)**	(6,148)
Gross amount as at 31 December		**188,027**	166,400
Expected credit loss allowance	*13*	**(37)**	(37)
Carrying amount as at 31 December	*12.1*	**187,990**	166,363

12.1 As at 31 December 2024, SAR 29.4 million (2023: nil) of investments in sukuk carried at amortised cost is pledged against Muqassa collateral.

(Amounts in SAR '000s')

13 EXPECTED CREDIT LOSS ON FINANCIAL ASSETS

	Note	2024 ECL allowance as at 1 January	2024 Charge during the year	2024 ECL allowance as at 31 December
Margin deposit with clearing house	*5*	**-**	**50**	**50**
Time deposits	*6*	**-**	**123**	**123**
Margin finance receivables	*9*	**1,470**	**461**	**1,931**
Investments held at amortized cost	*12*	**37**	**-**	**37**
Other financial assets	*11*	**80**	**-**	**80**
Total		**1,587**	**634**	**2,221**

	Note	2023 ECL allowance as at 1 January	2023 Charge during the year	2023 ECL allowance as at 31 December
Margin finance receivables	*9*	1,334	136	1,470
Investments held at amortized cost	*12*	-	37	37
Other financial assets	*11*	37	43	80
Total		1,371	216	1,587

14 RIGHT OF USE ASSET

Right of use asset and lease liability relates to leased vehicle (Vehicle – 3 years' contract ending in 2026).

	2024	2023
Cost		
Balance as at 1 January	**7,332**	6,596
Additions	**-**	736
Expired	**(6,596)**	-
Balance as at 31 December	**736**	7,332
Accumulated depreciation		
Balance as at 1 January	**6,820**	5,277
Charge for the year	**246**	1,543
Expired	**(6,596)**	-
Balance as at 31 December	**470**	6,820
Balance as at 31 December	**266**	512

15 PROPERTY AND EQUIPMENT

	2024 Fixtures and equipment	2024 Total	2023 Fixtures and equipment	2023 Total
Cost				
Balance as at 1 January	**375**	**375**	359	359
Additions	**1,725**	**1,725**	16	16
Balance as at 31 December	**2,100**	**2,100**	375	375
Accumulated depreciation				
Balance as at 1 January	**74**	**74**	18	18
Charge for the year	**172**	**172**	56	56
Balance as at 31 December	**246**	**246**	74	74
Net book value	**1,854**	**1,854**	301	301
Balance as at 31 December	**1,854**	**1,854**	301	301

(Amounts in SAR '000s')

16 INTANGIBLE ASSETS

Intangible assets are comprised of the following:

	As at 31 December 2024	As at 31 December 2023
Software	**645**	189
Customer relationship – asset management	**84,320**	95,200
Customer relationship – retail brokerage (including margin finance)	**92,845**	104,825
Capital work in progress (software development)	**7,797**	-
Total	**185,607**	200,214

2024	Software	Customer relationship – asset management	Customer Relationship – retail brokerage	Total
Cost				
Balance as at 1 January	**276**	**108,800**	**119,800**	**228,876**
Addition	**520**	**-**	**-**	**520**
Balance as at 31 December	**796**	**108,800**	**119,800**	**229,396**
Accumulated amortization				
Balance as at 1 January	**87**	**13,600**	**14,975**	**28,662**
Charge for the year	**64**	**10,880**	**11,980**	**22,924**
Balance as at 31 December	**151**	**24,480**	**26,955**	**51,586**
NBV as at 31 December	**645**	**84,320**	**92,845**	**177,810**
Capital work in progress balance as at 1 January	**-**	**-**	**-**	**-**
Additions to capital work in progress	**7,797**	**-**	**-**	**7,797**
Balance as at 31 December	**8,442**	**84,320**	**92,845**	**185,607**

2023	Software	Customer relationship – asset management	Customer Relationship – retail brokerage	Total
Cost				
Balance as at 1 January	276	108,800	119,800	228,876
As at 31 December	276	108,800	119,800	228,876
Accumulated amortization				
Balance as at 1 January	22	2,720	2,995	5,737
Charge for the year	65	10,880	11,980	22,925
Balance as at 31 December	87	13,600	14,975	28,662
NBV as at 31 December	189	95,200	104,825	200,214
Capital work in progress balance as at 1 January	929	-	-	929
Disposal during the year*	(929)	-	-	(929)
Balance as at 31 December	189	95,200	104,825	200,214

* This pertains to a capital work in progress that was transferred during the business combination. During 2023, the asset was transferred back to HSBC SA to align with Company's business strategy.

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 10 years for asset management and for retail brokerage.

(Amounts in SAR '000s')

17 SHORT-TERM BORROWINGS

The Company has an overdraft credit facility of SAR 3,100 million (2023: SAR 3,100 million) from SAB to finance margin lending facilities. As at 31 December 2024, the amount of this facility utilized by the Company amounted to SAR 1,306.5 million (2023: SAR 892.5 million) and carries special commission rate of three months SAIBOR plus 1% per annum (2023: three months SAIBOR plus 1% per annum).

17.1 Following is movement of short-term borrowings:

	2024	**2023**
Balance as at 1 January	**892,468**	833,286
Proceeds from loan during the year	**3,059,067**	1,427,783
Repayments of loan during the year	**(2,648,003)**	(1,369,328)
	1,303,532	891,741
Accrued special commission expense	**2,918**	727
Balance as at 31 December	**1,306,450**	892,468

18 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 Awwal Bank ("SAB") ("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	
	Note	**Relationship**	**31 December 2024**	**31 December 2023**
Special commission income		Parent	**1,398**	5,370
Special commission expense		Parent	**76,407**	66,743
Fee income from clients' money		Parent	**116,844**	68,754
Management fee from mutual funds		*Mutual funds managed by the Company	**159,808**	100,901
Transfer of EOSB	*22*	Affiliate	**-**	547
Administration fees	*18.4*	Affiliate	**2,774**	1,374
Operating expenses charged by SAB under Service Level Agreement	*18.1*	Parent	**15,360**	16,350
Premises rental expenses charged by SAB under Service Level Agreement		Parent	**7,506**	-
Premises rental expenses		Affiliate	**926**	2,780
Dividends income		Parent	**1,147**	-
Investments held at FVOCI		Parent	**20,000**	15,000

(Amounts in SAR '000s')

18 RELATED PARTY TRANSACTIONS (continued)

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

Al Yusr SAR Morabaha Fund
Saudi Riyal Money Market Fund
SAB Invest US Dollar Murabaha Fund
SAB Invest Global Equity Index Fund
SAB Invest Saudi Riyal Murabaha Fund
SAB Invest China and India Equity Freestyle Fund
SAB Invest Saudi Equity Fund
SAB Invest Multi Assets Defensive Fund
SAB Invest Saudi Freestyle Equity Fund
SAB Invest Multi Assets Growth Fund
SAB Invest Multi Assets Balanced Fund
SAB Invest GCC Companies Equity Income Fund
Al Yusr Saudi Equity Fund
Global Credit Fund
Saudi Financial Institutions Equity Fund
SAB Invest Saudi Companies Equity Fund
SAB Invest Saudi Financial Institutions Equity Fund
SAB Invest Saudi Industrial Companies Equity Fund
SAB Invest GCC Equity Fund
SAB Invest Saudi Conventional Freestyle Equity Fund
SAB Invest Saudi Equity Income Fund
SAB Invest Sukuk & Murabaha Fund
SAB Invest Saudi Construction and Cement Companies Equity Fund
SAB Invest GCC Conventional Equity Fund
SAB Invest Sukuk Fund
Alawwal Invest MSCI Tadawul 30 Saudi ETF
SAB Invest Hang Seng Hong Kong ETF
Alawwal Invest Enhanced Murabaha Fund
SAB Invest Private Investment Fund 40
SAB Invest Private Investment Fund 90
SAB Invest Private Investment Fund 91
SAB Invest Private Investment Fund 92
Salman Avenue Real Estate Fund
SAB Invest Real Estate Fund 5
SAB Invest Real Estate Fund 1
SAB Invest SBS residential Fund
SAB Invest Real Estate Fund 9
SAB Invest Real Estate Fund 8
SAB Invest Real Estate Fund 7
SAB Invest Fintech Fund I
SAB Invest Private Investment Fund 50
SAB Invest Private Investment Fund 240
SAB Invest Private Investment Fund 245
SAB Invest Private Investment Fund 60
SAB Invest Real Estate Fund 2
SAB Invest Private Investment Fund 88
HSBC Global Investments Funds - Global Equity Climate Chang

The following balances are outstanding in respect of related parties:

	Note	Relationship	As at 31 December 2024	As at 31 December 2023
Due to a related party				
Payable to SAB	*18.1*	Parent	**91,663**	119,180
Short term borrowings	*17.1*	Parent	**1,306,450**	892,468
Other assets – international custodians		Affiliates	**12,659**	12,740
Other assets – Income on clients' money receivable from SAB	*18.2*	Parent	**1,008**	1,252
Other assets – funds structuring fee receivable		Mutual funds managed by the Company	**6,125**	76
Management fees receivable			**23,482**	12,582
Other liabilities – Pending subscriptions	*19*		**5,732**	1,833
Other liabilities – Payable to affiliates	*18.3*	Affiliate	**-**	1,158
Investments held at FVSI	*9*	Mutual funds managed by the Company	**75,366**	72,526
Investments held at FVOCI		Parent	**35,000**	15,000
Off-balance sheet items:				
Contingent liability – promissory note	*33*	Parent	**3,100,000**	3,100,000
Contingent liability – Letter of guarantee	*33*	Parent	**20,000**	20,000

18.1 This mainly represents payable of net balance on intercompany transactions with SAB. SAB provides certain services to the Company as per Service Level Agreement (the "Agreement") signed between the Company and the Parent. These services include support for IT, finance, human resource, legal and other administrative functions. SAB collects and makes payments for and on behalf of the Company and maintains bank accounts of Company's brokerage customers.

18.2 This mainly represents special commission receivable related to the clients' money accounts.

18.3 This mainly represents accrued balance to the affiliate HSBC Saudi Arabia.

(Amounts in SAR '000s')

18 RELATED PARTY TRANSACTIONS (continued)

18.4 This relates to the administration fees expense to HSBC Saudi Arabia for Assets management.

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

	As at 31 December 2024	As at 31 December 2023
Board of Directors and committee members	**2,206**	1,979
Key management personnel	**34,090**	27,508

19 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	As at 31 December 2024	As at 31 December 2023
Accrued employees' benefits		**83,446**	47,384
Accrued rebate and redemption	*18.1*	**5,732**	1,833
Payable to broker		**378**	3,675
Integration expense payable		**-**	13,085
Other liabilities	*19.1*	**21,528**	33,288
		111,084	99,265

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

20 ZAKAT AND INCOME TAX PAYABLE

	31 December 2024	31 December 2023
Zakat and income tax charged for the year	**24,157**	17,500

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

	31 December 2024	31 December 2023
Share capital	**579,600**	579,600
Provisions and reserves	**(99,013)**	(152,860)
Zakat base	**480,587**	426,740
Zakat charge for the current year	**12,388**	11,000
Income tax charge for the year	**11,769**	6,500
	24,157	17,500

20.2 Following is the movement in zakat and income tax provision:

	Note	2024	2023
Balance as at 1 January		**23,593**	15,763
Zakat and income tax charge during the year	*20.1*	**24,157**	17,500
Payments / adjustment during the year for prior years		**(17,591)**	(9,670)
Balance as at 31 December		**30,159**	23,593

20.3 Status of assessment

The Company has filed all zakat and tax returns up to the year ended 31 December 2023. 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 2023.

The Company's zakat and tax return for the year ended 31 December 2024 is due to be filed on or before 30 April 2025.

(Amounts in SAR '000s')

21 LEASE LIABILITY

	2024	2023
Balance as at 1 January	**586**	1,369
Addition	**-**	736
Finance charge for the year	**18**	51
Payments for lease liability	**(274)**	(1,570)
Balance as at 31 December	**330**	586

As at 31 December 2024	Gross future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**315**	**7**	**308**
More than one year	**22**	**-**	**22**
	337	**7**	**330**

As at 31 December 2023	Gross future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	283	13	270
More than one year	323	7	316
	606	20	586

22 EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

Following is the movement in EOSB for the year ended 31 December:

	Note	2024	2023
Balance as at 1 January		**47,481**	47,894
EOSB cost charged to statement of income for the year	*22.2, 18*	**4,989**	6,312
Re-measurement gain recognized in other comprehensive income		**(2,587)**	(120)
Transfer of EOSB	*22.1*	**-**	547
Benefits paid during the year		**(5,091)**	(7,152)
Balance as at 31 December		**44,792**	47,481

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

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

	2024	2023
Current service cost	**4,633**	4,504
Interest cost	**2,000**	1,808
Past service cost	**167**	-
Reversal EOSB	**(1,811)**	-
EOSB costs charged to statement of income	**4,989**	6,312

(Amounts in SAR '000s')

22 EMPLOYEES' END OF SERVICE BENEFITS (EOSB) (continued)

22.3 Principal actuarial assumptions for the year ended 31 December is as follows:

Particulars	**2024**	**2023**
Discount rate	**5.45%**	4.45% pa
Expected rate of salary increase - *short term*:	**6.00%**	4.45% pa
Expected rate of salary increase - *long term*:	**5.45%**	4.45% 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**
2024			
Discount rate	**1%**	**(3,572)**	**4,143**
Expected rate of salary	**1%**	**4,214**	**(3,700)**
2023			
Discount rate	1%	(2,175)	2,393
Expected rate of salary	1%	2,488	(2,304)

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 8.61 years (2023: 4.81 years).

Maturity profile

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

	2024	**2023**
Distribution of timing of benefit payments		
Year 1	**4,359**	7,627
Year 2	**4,012**	8,471
Year 3	**4,037**	5,803
Year 4	**3,519**	5,870
Year 5	**3,218**	4,153
Year 6 to Year 10	**16,042**	15,455
Year 11 and above	**42,969**	12,909

23 STATUTORY RESERVES

Statutory reserve

In accordance with the previous Regulations for Companies in Kingdom of Saudi Arabia and Company's Article of Association, the Company was 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 was not available for distribution to shareholder.

As per Article 177 of the new Companies Law, the Company removed the minimum statutory reserve requirement of 30%, therefore, previously recorded statutory reserve is transferred to retained earnings and it is now distributable to shareholder. During the year ended 31 December 2023, the Company has obtained the EGM approval to update the bylaws accordingly.

24 CLIENTS' CASH ACCOUNTS

As at 31 December 2024, the Company holds clients' cash accounts amounting to SAR 3.93 billion (2023: SAR 3.05 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. During the year ended 31 December 2024, the Company recognized income from clients' money amounting to SAR 117 million (2023: SAR 69 million).

(Amounts in SAR '000s')

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 35.04 billion as at 31 December 2024 (2023: SAR 27.25 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.

26 ASSET MANAGEMENT FEES

	For the year ended	
	31 December 2024	**31 December 2023**
Management fee from mutual funds	**159,808**	100,901
Management fee from discretionary portfolio management	**73,210**	62,023
	233,018	162,924

27 SPECIAL COMMISSION INCOME

	For the year ended	
	31 December 2024	**31 December 2023 *(Restated – note 30)***
Special commission income on:		
- Margin finance	**122,424**	100,159
- Time deposits	**12,786**	12,215
- Investment held at amortised cost	**6,751**	6,302
	141,961	118,676

28 INCOME ON INVESTMENTS HELD AT FVSI, NET

	For the year ended	
	31 December 2024	**31 December 2023**
Net unrealized gain on investments held at FVSI	**5,069**	10,142
Net realized (loss) / gain on investments held at FVSI	**(1,016)**	1,210
	4,053	11,352

29 GENERAL AND ADMINISTRATIVE EXPENSES

		For the year ended	
	Note	**31 December 2024**	**31 December 2023**
Expenses under Service Level agreement	*18.1*	**15,360**	16,350
Communication expenses		**5,679**	6,005
Traveling		**1,616**	894
Stationery and printing		**30**	176
Other expenses	*29.1*	**38,060**	36,825
Total		**60,745**	60,250

29.1 Other expenses include professional consultancy, audit fees, Directors fees and others.

30 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.

(Amounts in SAR '000s')

30 FAIR VALUE MEASUREMENTS (continued)

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.

	As at 31 December 2024				
Financial assets measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVSI	**150,936**	**150,936**	**-**	**-**	**150,936**
Investments held at FVOCI	**276,596**	**65,150**	**211,446**	**-**	**276,596**
	427,532	**216,086**	**211,446**	**-**	**427,532**

	As at 31 December 2023				
Financial assets measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments held at FVSI	104,400	104,400	-	-	104,400
Investments held at FVOCI	130,635	8,148	122,487	-	130,635
	235,035	112,548	122,487	-	235,035

The fair value of investments classified within Level 1 is based on the quoted price available on Tadawul as at 31 December 2024 and the fair value of investments classified within Level 2 is based on the comparable prices available on related stock exchange as at 31 December 2024.

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 187.99 (2023: SAR 166.36 million). 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 borrowing and other liabilities approximate fair values, being short-term in nature.

31 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.

(Amounts in SAR '000s')

31 RISK MANAGEMENT (continued)

Financial instruments carried on the statement of financial position include cash and cash equivalents, margin deposit with clearing house, time deposit, receivables from asset management, margin finance receivables, investments carried at FVSI and at FVOCI, 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.

31.1 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 2024	**As at 31 December 2023**
Cash and cash equivalents	**29,992**	14,509
Margin deposit with clearing house	**60,148**	51,469
Time deposits, net	**137,440**	276,487
Receivable from asset management	**51,273**	48,736
Margin finance receivables, net	**1,701,676**	1,199,346
Investments held at amortized cost, net	**187,990**	166,363
Other assets	**32,207**	14,481
	2,200,726	1,771,391

Credit quality analysis

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

As at 31 December 2024	**Investment grade**	**Non-Investment grade**	**Unrated**	**Total**
Financial assets				
Cash and cash equivalents	**29,992**	-	-	**29,992**
Margin deposit with clearing house	-	-	**60,148**	**60,148**
Time deposits, net	**137,440**	-	-	**137,440**
Receivable from asset management	-	-	**51,273**	**51,273**
Margin finance receivables, net	-	-	**1,701,676**	**1,701,676**
Investments held at amortized cost	**187,990**	-	-	**187,990**
Other financial assets	-	-	**32,207**	**32,207**
Total	**355,422**	-	**1,845,304**	**2,200,726**

As at 31 December 2023	**Investment grade**	**Non-Investment grade**	**Unrated**	**Total**
Financial assets				
Cash and cash equivalents	14,509	-	-	14,509
Margin deposit with clearing house	-	-	51,469	51,469
Time deposits	276,487	-	-	276,487
Receivable from asset management	-	-	48,736	48,736
Margin finance receivables, net	-	-	1,199,346	1,199,346
Investments held at amortized cost	166,363	-	-	166,363
Other financial assets	-	-	14,481	14,481
Total	457,359	-	1,314,032	1,771,391

31 RISK MANAGEMENT (continued)

31.1 Credit risk (continued)

Credit quality analysis (continued)

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 SAB and AlRajhi bank having stable credit rating. SAB's long-term debt and short-term debts are rated as Aa- and F1+ as per Fitch's and Aa3 and P-1 as per Moody's ratings. AlRajhi bank's long-term debt and short debts are rated as Aa- and F1+ as per Fitch's and Aa3 and P-1 as per Moody's ratings.

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 2024, 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 5,571 million (2023: SAR 4,617 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, receivable from asset management and other receivables, because the amount was immaterial.

31.2 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.

(Amounts in SAR '000s')

31 RISK MANAGEMENT (continued)

31.2 Market risk (continued)

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 local banks. 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 year	Non commission bearing	Total
As at 31 December 2024					
Cash and cash equivalents	**-**	**-**	**-**	**29,992**	**29,992**
Margin deposit with clearing house	**-**	**-**	**-**	**60,148**	**60,148**
Time deposits	**-**	**137,440**	**-**	**-**	**137,440**
Margin finance receivables	**255,571**	**1,446,105**	**-**	**-**	**1,701,676**
Receivables from asset management	**51,273**	**-**	**-**	**-**	**51,273**
Investments held at FVSI	**-**	**-**	**-**	**150,936**	**150,936**
Investments held at FVOCI	**-**	**-**	**276,596**	**-**	**276,596**
Investments held at amortized cost	**-**	**-**	**187,990**	**-**	**187,990**
Other assets	**-**	**-**	**-**	**32,207**	**32,207**
Total financial assets	**306,844**	**1,583,545**	**464,586**	**273,283**	**2,628,258**
Short-term borrowing	**-**	**1,306,450**	**-**	**-**	**1,306,450**
Due to related parties	**-**	**-**	**-**	**91,663**	**91,663**
Total financial liabilities	**-**	**1,306,450**	**-**	**91,663**	**1,398,113**
Cumulative commission rate sensitivity gap	**306,844**	**583,939**	**1,048,525**	**1,230,145**	**1,230,145**

Commission rate risk	Within 3 months	3-12 months	Over 1 year	Non commission bearing	Total
As at 31 December 2023					
Cash and cash equivalents	-	-	-	14,509	14,509
Margin deposit with clearing house	-	-	-	51,469	51,469
Time deposits	72,635	203,852	-	-	276,487
Margin finance receivables	258,122	882,055	59,169	-	1,199,346
Receivables from asset management	48,736	-	-	-	48,736
Investments held at FVSI	-	-	-	104,400	104,400
Investments held at FVOCI	-	-	130,635	-	130,635
Investments held at amortized cost	-	-	166,363	-	166,363
Other assets	-	-	-	14,481	14,481
Total financial assets	379,493	1,085,907	356,167	184,859	2,006,426
Short-term borrowing	-	892,468	-	-	892,468
Due to related parties	-	-	-	119,180	119,180
Total financial liabilities	-	892,468	-	119,180	1,011,648
Cumulative commission rate sensitivity gap	379,493	572,932	929,099	994,778	994,778

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.

(Amounts in SAR '000s')

31 RISK MANAGEMENT (continued)

31.2 Market risk (continued)

Price risk (continued)

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 2024**	**31 December 2023**
Investment held at FVSI	+/- 5	+/- 7,547	+/- 5,220

31.3 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.

31.4 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 31 December 2024, the Company was in compliance with the externally imposed capital restrictions.

32 RESTATEMENT OF COMPARATIVE FIGURES DUE TO RECLASSIFICATION ADJUSTMENT

The Company has re-evaluated the presentation of certain transactions and balances in the statement of comprehensive income to determine if certain transactions have been presented appropriately in line with the requirements of IFRS Accounting Standards ("IFRS"). Where necessary, changes in presentation were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

Changes in comparatives in the statement of comprehensive income

The Company holds clients' money in a fiduciary capacity and is not recognized in the statement of financial position of the Company. However, pursuant to the terms of the agreement with certain customers, the Company is permitted to invest clients' money in cash and cash equivalents and income generated from such investments is considered as a compensation for managing clients' money that is held in fiduciary capacity.

In prior period, income earned from clients' money was classified as a special commission income in the statement of comprehensive income.

International Accounting Standard 1 - Financial Statement presentation (IAS 1) requires the profit or loss section or the statement of profit or loss to present (a) revenue, presenting separately interest revenue calculated using the effective interest method. Furthermore IAS 1 requires each material class of similar items to be aggregated and presented separately, and items should be presented based on the economic substance of the transactions and not merely the legal form.

As a result, management considered the above requirement and restated prior period statement of comprehensive income by reclassifying income from clients' money from special commission income to a separate financial statement line item on the face of the statement of comprehensive income to reflect the substance of the income earned, that is fees earned for services performed to the client.

(Amounts in SAR '000s')

32 RESTATEMENT OF COMPARATIVE FIGURES DUE TO RECLASSIFICATION ADJUSTMENT (continued)

Changes in comparatives in the statement of comprehensive income (continued)

The above restatement had no effect on the Company's statement of financial position, net asset statement of changes in shareholder's equity or statement of cash flows. The effect of this restatement on the statement of comprehensive income for the year ended 31 December 2023 is summarized below.

Statement of comprehensive income

	For the year ended		
Financial statement line item	**31 December 2023 As previously stated**	**Restatement due to reclassification adjustment**	**31 December 2023 Restated**
Special commission income	187,430	(68,754)	**118,676**
Income from clients' money	-	68,754	**68,754**

Statement of cash flow

	For the year ended		
Supplemental non-cash information	**31 December 2023 As previously stated**	**Restatement due to reclassification adjustment**	**31 December 2023 Restated**
Special commission received during the year	189,971	(67,502)	**122,469**

33 CONTINGENT LIABILITIES

As at 31 December 2024, the Company is subject to contingent liabilities of SAR 3,100 million (2023: SAR 3,100 million) and SAR 20 million (2023: SAR 20 million) represented by promissory note against the provided credit facilities, and letter of guarantee respectively.

34 SUBSEQUENT EVENTS

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

35 APPROVAL OF FINANCIALS STATEMENTS

These financials statements were approved by the Board of Directors on 20 February 2025.