ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

AND INDEPENDENT AUDITOR'S REPORT

Alinma Investment Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2022

INDEX

اللحيد واليحيى
محاسبون قانونيون
ALLUHAID & ALYAHYA
CHARTERED ACCOUNTANTS

Alluhaid & Alyahya Chartered Accountants
License No. (735) CR:1010468314
Paid up capital SR 100,000
A Limited Liability Company
Kingdom of Saudi Arabia Riyadh King Fahd Road ,
Muhammadiyah District , Garnd Tower 12th Floor

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Alinma Investment Company
(A Saudi Closed Joint Stock Company)

Opinion

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

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

Basis for Opinion

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

Other Matter

The financial statements of the Company as of and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 19 Sha'ban 1443H (corresponding to 22 March 2022).

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and the Company's Bylaws , and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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INDEPENDENT AUDITOR'S REPORT (continued)
To the Shareholder of Alinma Investment Company
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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

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

for Alluhaid & Alyahya Chartered Accountants

Saleh Al Yahya
Certified Public Accountant
License number 473

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ترخيص رقم ٧٣٥
س.ت: ١٠١٠٤٦٨٣١٤
professional
License No. 735
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Alluhaid & Alyahya Chartered Accountants

Riyadh: 1 Sha'aban 1444H
(21 February 2023)

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Alinma Investment Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	*31 December 2022 SR' 000*	*31 December 2021 SR' 000*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**114,645**	163,787
Trade and other receivables	5, 29	**1,319,572**	1,188,117
Financial assets at fair value through profit or loss ("FVTPL")	6	**77,897**	27,989
Financial assets at amortised cost		**145,000**	-
Advance for acquisition of financial assets at FVTPL	9	**102,677**	-
TOTAL CURRENT ASSETS		**1,759,791**	1,379,893
NON-CURRENT ASSETS			
Financial assets at FVTPL	6	**657,036**	509,523
Non-current portion of portfolio financing receivable	5, 29	**41,069**	166,503
Financial assets at fair value through other comprehensive income ("FVOCI")	7	**7,233**	17,426
Financial assets at amortised cost	8	**71,135**	4,849
Property, equipment and right-of-use assets	10, 29	**9,304**	12,368
Intangible assets	11, 29	**9,115**	9,316
TOTAL NON-CURRENT ASSETS		**794,892**	719,985
TOTAL ASSETS		**2,554,683**	2,099,878
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	12	**-**	50,388
Trade and other payables	13	**92,137**	67,870
Current portion of contract liabilities	14, 29	**10,256**	42,053
Current portion of lease liabilities	15	**2,364**	2,529
Zakat payable	16	**56,415**	47,380
TOTAL CURRENT LIABILITIES		**161,172**	210,220
NON-CURRENT LIABILITIES			
Employee benefit obligations	17	**29,265**	24,749
Lease liabilities	15	**5,588**	7,691
Contract liabilities	14, 29	**20,521**	9,263
TOTAL NON-CURRENT LIABILITIES		**55,374**	41,703
TOTAL LIABILITIES		**216,546**	251,923
EQUITY			
Share capital	19	**500,000**	500,000
Statutory reserve		**213,833**	164,756
Retained earnings		**1,625,685**	1,183,992
Fair value reserve for financial assets at FVOCI		**(21)**	(22)
Actuarial valuation reserve		**(1,360)**	(771)
TOTAL EQUITY		**2,338,137**	1,847,955
TOTAL LIABILITIES AND EQUITY		**2,554,683**	2,099,878

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

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Note	***31 December 2022 SR' 000***	*31 December 2021 SR' 000*
OPERATING INCOME			
Revenue	20, 29	**533,846**	579,518
Gain from financial assets at FVTPL, net	6	**129,537**	17,206
Special commission income	21	**3,955**	1,309
TOTAL INCOME		**667,338**	598,033
OPERATING EXPENSES			
Salaries and employees' related expenses		**(104,707)**	(94,846)
General and administrative expenses	22	**(25,644)**	(23,143)
Depreciation and amortisation expense	10,11	**(5,347)**	(5,897)
Reversal of (charge for) expected credit loss	5	**19,391**	(12,613)
TOTAL OPERATING EXPENSES		**(116,307)**	(136,499)
OPERATING PROFIT		**551,031**	461,534
Finance costs	23	**(3,846)**	(1,978)
OPERATING PROFIT BEFORE ZAKAT		**547,185**	459,556
Zakat expense	16	**(56,415)**	(47,380)
NET PROFIT FOR THE YEAR		**490,770**	412,176

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	***31 December 2022 SR' 000***	*31 December 2021 SR' 000*
NET PROFIT FOR THE YEAR		**490,770**	412,176
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified subsequently to profit or loss:			
Actuarial loss on re-measurement of employee benefit obligation	17	**(589)**	(805)
Change in fair value of financial assets at FVOCI		**1**	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**490,182**	411,373

Alinma Investment Company
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Capital SR '000	*Share capital under registration SR '000*	*Statutory reserves SR '000*	*Retained earnings SR '000*	*Fair value reserve of financial assets at FVOCI SR '000*	*Actuarial valuation reserve SR '000*	*Total SR '000*
Balance as at 1 January 2021	250,000	250,000	123,539	813,033	(24)	34	1,436,582
Comprehensive income:							
Net profit for the year	-	-	-	412,176	-	-	412,176
Other comprehensive loss for the year	-	-	-	-	2	(805)	(803)
Total comprehensive income for the year	-	-	-	412,176	2	(805)	411,373
Transfer to statutory reserve	-	-	41,217	(41,217)	-	-	-
Transactions with shareholder, in its capacity as shareholder							
Increase in capital	250,000	(250,000)	-	-	-	-	-
Balance as at 31 December 2021	500,000	-	164,756	1,183,992	(22)	(771)	1,847,955
Comprehensive income:							
Net profit for the year	-	-	-	490,770	-	-	490,770
Other comprehensive loss for the year	-	-	-	-	1	(589)	(588)
Total comprehensive income for the year	-	-	-	490,770	1	(589)	490,182
Transfer to statutory reserve	-	-	49,077	(49,077)	-	-	-
Balance as at 31 December 2022	**500,000**	-	**213,833**	**1,625,685**	**(21)**	**(1,360)**	**2,338,137**

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

STATEMENT OF CASH FLOWS

For the year end 31 December 2022

	Notes	31 December 2022 SR' 000	31 December 2021 SR' 000
OPERATING ACTIVITIES			
Net profit before zakat		**547,185**	459,556
Adjustments for non-cash items:			
Gain from financial assets at FVTPL	6	**(121,587)**	(12,638)
(Reversal of) charge for expected credit loss allowance	5	**(19,391)**	12,632
Special commission income	21	**(3,955)**	(1,265)
Depreciation and amortisation	10, 11	**5,347**	5,897
Financial charges	23	**3,846**	1,978
Employee benefit obligations provision	17	**5,037**	4,476
Dividend income	6	**(7,950)**	(4,568)
		408,532	466,068
Changes in operating assets and liabilities:			
Trade and other receivables		**4,476**	(407,070)
Advance for acquisition of financial assets at FVTPL		**(100,000)**	-
Trade and other payables		**(23,114)**	267
Contract liabilities		**(20,539)**	3,148
		269,355	62,413
Employee benefit obligations paid	17	**(1,110)**	(294)
Zakat paid	16	**-**	(37,078)
Net cash flows from operating activities		**268,245**	25,041
INVESTING ACTIVITIES			
Purchase of financial assets at FVTPL		**(189,612)**	(43,972)
Purchase of financial assets at amortised cost		**(211,286)**	-
Proceeds from sale of financial assets at FVTPL		**122,105**	24,234
Proceeds from maturity of financial assets at FVOCI		**10,193**	16,538
Dividends received		**7,950**	4,568
Special commission income received		**1,847**	1,123
Purchase of property and equipment	10	**(97)**	(961)
Purchase of intangible assets	11	**(1,985)**	(3,344)
Net cash flows used in investing activities		**(260,885)**	(1,814)
FINANCING ACTIVITIES			
Proceeds from short-term borrowings		**280,000**	50,388
Repayment of short-term borrowings		**(330,000)**	-
Repayment of lease liabilities		**(2,860)**	(2,763)
Repayment of finance cost		**(3,642)**	(1,314)
Net cash flows (used in) from financing activities		**(56,502)**	46,311
Net (decrease) increase in cash and cash equivalents		**(49,142)**	69,538
Cash and cash equivalents at beginning of the year		**163,787**	94,249
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**114,645**	163,787

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

STATEMENT OF CASH FLOWS (continued)

For the year end 31 December 2022

	Notes	***31 December 2022 SR' 000***	*31 December 2021 SR' 000*
NON-CASH TRANSACTIONS			
Zakat payable transferred due to shareholder	18	**47,380**	-
Investment purchase against management fees receivable		**11,000**	42,750
Change in fair value of financial assets at FVOCI		**1**	2
Additions to the right-of-use assets and lease liabilities	10	-	1,960

1 CORPORATE INFORMATION

Alinma Investment Company (the "Company") is a Saudi Closed Joint Stock Company established pursuant to ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009). The Company is a wholly owned subsidiary of Alinma Bank (the "Bank)", a Saudi Joint Stock Company, which is also the ultimate controlling party of the Company.

The Company is licensed to deal as principal, agent, managing, arranging, advising and custody by the Capital Market Authority ("CMA") under license number 09134-37 dated 23 Rabi Thani 1430H (corresponding to 19 April 2009). The Company commenced providing investment services pursuant to commencement letter issued by CMA dated 2 Safar 1431H (corresponding to 17 January 2010).

The Company's registered office is Al-Anoud Tower, Building 2, King Fahad Road, P.O. Box 66333, Riyadh 11576, Kingdom of Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 *BASIS OF PREPARATION*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), collectively hereafter referred to as "IFRS as endorsed in KSA".

The financial statements have been prepared under the historical cost convention on the accrual basis of accounting, except for financial assets measured at FVTPL, financial assets measured at FVOCI and employee benefit obligations which are recognised at the present value of future obligation using the projected unit credit method.

The financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional currency. All financial information has been rounded off to the nearest thousands, unless otherwise indicated.

2.2 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The following are the significant accounting policies applied by the Company in preparing its financial statements:

2.2.1 *Current versus non-current classification*

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

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

2.2.2 *Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash in hand, cash with banks and short-term deposits with an original maturity of less than three months, which are subject to an insignificant risk of changes in value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 *Trade and other receivables*
Trade and other receivables are initially recorded at fair value plus transaction costs. The fair value on acquisition is normally the transaction price. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method, less any impairment.

2.2.4 *Portfolio financing receivables*
Portfolio financing represent Shariah compliant products in the form of Murabaha agreements which are stated at amortized cost less allowance for expected credit losses.

Portfolio financing receivables are initially recognized when underlying asset is transferred to customers. They are derecognized when customers repay their obligations. The Company in the ordinary course of business holds shares as collateral to mitigate credit risk on such receivables.

2.2.5 *Prepayments*
Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at nominal amounts. These are derecognized and charged to statement of profit or loss either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

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

i. Recognition, classification and presentation
Trade date accounting
All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e., the date of on which the Company becomes a party to the contractual provision of the instrument). Regular way purchases or sales of the financial instruments require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are also initially recognized on the trade date at which the Company becomes a party to the contractual provision in the market place.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

ii. Financial assets
Classification and initial measurement of financial assets
The Company determines the classification of its financial assets at initial recognition.

The Company classifies its financial assets in the following categories:
a) Amortised cost;
b) FVOCI – debt instrument
c) FVOCI – equity instruments
d) FVTPL.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2.6 Financial instruments (continued)

Classification and initial measurement of financial instruments (continued)
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL on initial recognition:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise

Measurement
Financial assets are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or disposal of financial assets or, where appropriate, deducted from them (Except for financial assets and liabilities measured at fair value where transaction costs directly attributable to the acquisition of financial assets or liabilities are recognized immediately in the statement of profit or loss and other comprehensive income ("OCI")) as incurred.

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

a) Financial assets measured at amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ("EIR") method. Interest income from these financial assets is included in finance income.

The Company's financial assets at amortised cost includes cash and cash equivalents, trade receivables and financial assets at amortised cost.

b) Financial assets carried at fair value through profit or loss
The financial assets measured at fair value through profit or loss ("FVTPL") are re-measured to fair value at each financial reporting date.

c) Financial assets measured at fair value through other comprehensive income
Financial assets measured at fair value through other comprehensive income ("FVOCI") are re-measured to fair value at each financial reporting date.

When the debt financial asset is derecognized (classified as FVOCI), the accumulated fair value adjustments that are recognised in OCI is reclassified to profit or loss. However, there is no subsequent reclassification of fair value gains and losses to profit or loss in case of equity instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2.6 Financial instruments (continued)

ii Financial assets (continued)
Measurement (continued)

The recognition and presentation of gains and losses for each measurement category are as follows:

Measurement category	Recognition and presentation of gains and losses
Amortised cost	The following items are recognized in profit or loss: • Special commission income using the effective interest method; • expected credit losses and reversals; and • foreign exchange gains and losses. When the financial asset is derecognized, the gain or loss is recognized in profit or loss.
FVOCI – debt instrument	Gains and losses are recognized in OCI, except for the following items, which are recognized in statement of profit or loss in the same manner as for financial assets measured at amortised cost: • Special commission income using the effective interest method; • expected credit losses and loss reversals; and • foreign exchange gains and losses.
FVOCI – equity investments	Gains and losses are recognized in OCI. Dividends are recognized in profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in OCI are not reclassified to profit or loss under any circumstances.
FVTPL	Gains and losses, both on subsequent measurement and derecognition, are recognized in profit or loss.

Impairment of financial assets
The Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost and financial assets held at FVOCI.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default (a the financial asset that is overdue for 90 days or more is considered default) when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum year considered when estimating ECLs is the maximum contractual year over which the Company is exposed to credit risk.

For financial assets at FVOCI and amortised cost, the Company recognizes 12-month expected credit losses. As most of these instruments have a sound credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Financial instruments (continued)

ii Financial assets (continued)

Impairment of financial assets (continued)

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

Special commission income

For financial instruments measured at amortized cost and debt instrument classified as FVOCI, special commission income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset.

When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income.

iii. Financial liabilities

Classification and initial measurement of financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

The financial liabilities are classified in the following measurement categories:

- Those to be measured as financial liabilities at fair value through profit or loss, and
- Those to be measured at amortized cost.

Measurement

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate year. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

The Company's financial liabilities include trade and other payables, borrowings from related parties and accrued referral fees payable to Parent Company. The Company measures financial liabilities at amortized cost.

iv. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.2.8 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer hardware	3 – 10 years
Office equipment	5 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.8 Property and equipment (continued)

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

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

An item of property and equipment is derecognised 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 profit or loss and OCI when the asset is derecognised.

Capital work-in-progress is stated at cost and not depreciated. Depreciation on Assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment and intangible assets. Finance costs, if any on borrowings to finance the construction of qualified assets are capitalized during the time period that is required to complete and prepare the asset for its intended use.

2.2.9 Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and OCI in the expense category consistent with the function of the intangible asset.

2.2.11 Impairment of non-financial assets

The carrying values of non-financial assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in statement of profit or loss and OCI within other expenses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.11 Impairment of non-financial assets (continued)

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss has been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against provision account in statement of profit or loss and OCI.

2.2.12 Trade and other payables

Trade and other payables are recognized for amounts to be paid in the future for goods or services when risks and rewards attributable to goods are transferred to the Company or services are received, whether or not billed to the Company.

2.2.13 Provisions

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

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

2.2.14 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.2.15 Zakat

Zakat is provided for in the financial statements in accordance with Zakat, Tax and Customs Authority ("ZATCA") laws and regulations. Zakat is charged to the statement of profit or loss. Additional zakat liabilities, if any, related to prior years' assessments arising from ZATCA are accounted for in the year in which the final assessments are finalized.

As the Company is a wholly owned subsidiary of Alinma Bank (the "Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is being filed by the Bank from year ended 31 December 2011 with the Zakat, Tax and Customs Authority (the "ZATCA").

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.16 Employee benefit obligations
Liabilities for salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. These liabilities are presented as current employee benefit obligations in the statement of financial position.

The Company has employee benefit obligations which qualify as defined benefit plans. The employees are entitled for benefits based on length of service and last drawn salary, and computed in accordance with the provisions of the Saudi Arabian Labor and Workmen Law and the Company policy. The liability for end of service benefits, being an unfunded plan, is determined using projected credit unit method with actuarial valuations being conducted at end of annual reporting years. The related liability recognized in statement of financial position is the present value of the end of service benefits obligation at the end of the reporting year.

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

Employee benefit obligations costs are categorised as follows:

i) current service cost (increase in the present value of end of service benefits obligation resulting from employee service in the current period)
ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefits liability); and
iii) remeasurement

Current service cost and the interest expense arising on the employee benefit obligations are included in the same line items in the statement of profit or loss and OCI as employee-related costs.

Remeasurement, comprising actuarial gains and losses, is recognised in full in the period in which they occur, in OCI without recycling to the profit or loss in subsequent periods. Amounts recognised in OCI are recognised immediately in retained earnings.

2.2.17 Contract liabilities
A contract liability is the obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company provided services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company delivers the goods or services under the contract.

2.2.18 Statutory reserve
Under the Company's By-Laws and the Companies Law the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

2.2.19 Share capital
Share capital represents the nominal value of shares that have been issued and paid.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.20 Revenue recognition

- Brokerage commission is recognized when the deal is executed. Brokerage commission on local shares is recognized net of Tadawul commission and rebates allowed to the customers.
- Fee from managing assets (including mutual funds) is recognized over time as the services are rendered.
- Subscription fee is recognized upon subscription to the fund managed by the Company. These fees are recognized net of related expenses.
- Fee from investment banking services is recognized when the related services have been fully provided to the customer, net of related expenses.
- Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.
- Income from margin financing facilities is recognized over the year of contract using effective yield method.
- Custody fee is received upfront and amortized over the year of the service (deferred income).
- Dividend from investments is recognized when earned or publicly declared by the investee, and is presented together with net gain or loss on investments at fair value through profit and loss.
- Finance lease income is recognized over the term of the lease using the effective yield method.
- Other income is recognized when the control of a certain service has been transferred to customers.

2.2.21 Expenses

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

2.2.22 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss and OCI.

2.2.23 Assets held under fiduciary capital

Assets under management:

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

Clients' cash accounts:

Clients' cash accounts are not treated as assets of the Company and accordingly are not included in these financial statements.

2.2.24 Contingent assets and contingent liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.25 ***New Standards and amendments to existing standards effective 1 January 2022***
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standards, interpretations or amendment that has been issued but not yet effective.

Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

These amendments had no impact on the financial statements of the Company as there were no onerous contract as of the reporting date.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

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

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

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

Property, Plant and Equipment: Proceeds before intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the financial statements of the Company.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

2.2.25 *New Standards and amendments to existing standards effective 1 January 2022 (continued)*

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

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

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

2.2.26 *New Standards and amendments to existing standards effective 1 January 2023*

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

Standards / amendments to standards / interpretations	*Effective date*
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Definition of accounting estimates (IAS 8)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendments to IAS 1)	1 January 2023

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and 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 asset or liability affected in future periods.

Useful lives of property and equipment and intangible assets
The management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation, respectively. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment losses on trade and other receivables

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values for portfolio financing, when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

i) Determining criteria for significant increase in credit risk;
ii) Choosing appropriate models and assumptions for the measurement of ECL;
iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 22 for further disclosures.

Leases

The determination of lease term for some lease contracts in which the company is a lessee, including whether the Company is reasonably certain to exercise lessee options and the determination of incremental borrowing rate used to measure the lease liabilities.

Assumptions for employee benefit obligations provision

The calculation of employee benefit obligations provision greatly depends on employees' estimated length of service and their estimated salary at end of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Company's historical data, recent trends, and management plans and forecasts with respect to salary levels.

Life expectancy is not considered a principal actuarial assumption in measuring employee benefit obligations provision and therefore, possible changes in life expectancy are not expected to have a significant impact on the level of obligation, especially since only a few employees are assumed to serve until the retirement age. Moreover, changes in life expectancy will affect the estimates related to those employees only if life expectancy becomes less than retirement age and, in such cases, the impact is not expected to be significant.

The discount rate was estimated by reference to yields on the KSA government sukuk bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

4 CASH AND CASH EQUIVALENTS

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Cash in investment accounts	**64,639**	14,590
Cash at bank – current accounts	**50,006**	149,197
	114,645	163,787

The management has conducted an assessment for expected credit loss (ECL) and has concluded that the allowance for expected credit loss is not significant for cash and cash equivalents at the reporting date.

5 TRADE AND OTHER RECEIVABLES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Portfolio financing receivables (note 5.1)	**942,611**	930,809
Asset management fees receivable	**325,857**	371,421
Other trade receivables (i)	**47,272**	72,294
Trade receivable, gross	**1,315,740**	1,374,524
Less: Allowance for expected credit losses (ECL) (note 5.2)	**(8,215)**	(27,606)
Trade receivables, net	**1,307,525**	1,346,918
Security deposit	**46,272**	-
Amounts due from related parties (note 18)	**2,462**	3,235
Prepayments	**2,247**	2,314
Employee receivables	**2,135**	2,153
	1,360,641	1,354,620
Less: Non-current portion of portfolio financing receivable	**(41,069)**	(166,503)
	1,319,572	1,188,117

(i) The other receivables mainly include receivables related to custodian fees, administration fees and investment banking fees.

5.1 Portfolio financing receivable

The Company extends portfolio financing facilities to its customers to invest in the Saudi Stock Exchange and investment funds. These facilities represent Shariah compliant Murabaha financing and Margin lending which are collateralized by underlying equities and cash held in customer investment account amounting to SR 1,272 million as at 31 December 2022 (2021: SR 1,377 million). These facilities have original maturity tenure ranging from 1 to 5 years (31 December 2021: 1 to 6 years) and bear fixed commission rates.

5.2 Allowance for ECL

The movement in allowance of ECL on trade and other receivables during the year is as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
At the beginning of the year	**27,606**	14,794
(Reversal of) charge for expected credit losses	**(19,391)**	12,612
At the end of the year	**8,215**	27,406

6 FINANCIAL ASSETS AT FVTPL

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Investment in mutual funds and equity instruments (note 6.1)	**725,900**	537,512
Investment in debt instrument (note 6.2)	**9,033**	-
	734,933	537,512

The above-mentioned financial assets at FVTPL have been presented in the statement of financial position as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Non-current assets	**657,036**	509,523
Current assets	**77,897**	27,989
	734,933	537,512

6.1 Investment in mutual funds and equity instruments

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Investments in private funds (i)	**577,451**	408,422
Investment in listed equity shares	**100,899**	37,930
Investments in unquoted equity shares	**35,317**	13,536
Investments in public funds	**12,233**	77,624
Total investment in mutual funds and equity instruments	**725,900**	537,512

(i) These include an investment in Al Jawharah Real-Estate Fund ("AJF") amounting to SR 72.45 million. The principal activity of AJF is to invest and develop plots of land. In March 2021, the Supreme Court in KSA ordered to revoke the title deed of land from AJF. In August 2021, the management assessed the fair value of its investment to be SR 15 million. Accordingly, management recognised unrealised loss of SR 29 million. However, on 28 March 2022, the Fund Manager confirmed that the AJF has won the case for the revoked land and the land is returned back to AJF. Based on this outcome, the management reassessed their investment to be SR 72.45 million. Accordingly, the Company has recognised unrealised gain of SR 57 million during the period ended 31 December 2022.

The geographical dispersion of above financial assets at FVTPL is within the Kingdom of Saudi Arabia except for SR 137 million (2021: SR 78.5 million) which are invested outside Kingdom of Saudi Arabia.

6.2 Investment in debt instruments

This represents Company's investment in a local corporate sukuk carrying a fixed special commission income rate.

6 FINANCIAL ASSETS AT FVTPL (continued)

6.3 *Gain from financial assets at FVTPL*

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Gain on financial assets at FVTPL	**121,587**	12,638
Dividend income	**7,950**	4,568
	129,537	17,206

7 FINANCIAL ASSETS AT FVOCI

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Investment in debt instrument (note 7.1)	**7,231**	17,424
Investment in equity instruments	**2**	2
	7,233	17,426

7.1 *Investment in debt instruments*

This represents Company's investment in a local corporate sukuk carrying a floating special commission rate and will be maturing on 12 December 2038.

The management has conducted an assessment for expected credit loss (ECL) and has concluded that the allowance for expected credit loss is not significant for investment in debt instruments at the reporting date.

8 FINANCIAL ASSETS AT AMORTISED COST

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Current		
Murabaha placements (note 8.1)	**145,000**	-
Non-current		
Investments in sukuk (note 8.2)	**71,135**	4,849

8.1 *Murabaha placements*

This represents Company's investment in a Murabaha with local counterparties. These counterparties with whom the Company has made placements have sound credit ratings as issued by rating agencies and carry a fixed special commission rate. These placements will be maturing within one year.

8.2 *Investments in sukuks*

This represents Company's investment in a sukuk with local and foreign counterparties. These counterparties with whom the Company has made sukuk investments have sound credit ratings as issued by rating agencies. Investments in sukuk are redeemable at par value at their maturity date. These investments carry a fixed special commission income rate.

8 FINANCIAL ASSETS AT AMORTISED COST

8.2 Investments in sukuks (continued)

The remaining maturity of these sukuk are as follows:

	31 December 2022 SR' 000	*% of value*	*31 December 2021 SR' 000*	*% of value*
Later than 1 year and no later than 5 years	**41,155**	**57.85%**	4,849	100%
Later than 5 years	**29,980**	**42.15%**	-	-
	71,135	**100.00%**	4,849	100%

8.3 Allowance for ECL

The management has conducted an assessment for expected credit loss (ECL) and has concluded that the allowance for expected credit loss is not significant for financial assets at amortised cost at the reporting date.

9 ADVANCE FOR ACQUISITION OF FINANCIAL ASSETS AT FVTPL

During the year ended 31 December 2022, the Company has placed SR 100,000,000 under escrow account to be invested in 10,000,000 units of Alinma Hospitality REIT Fund. As of the year end, the process to allocate the units of the REIT was not completed, hence the Company has classified this as advance.

10 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Furniture and fixtures SR' 000	*Computer hardware SR'000*	*Office equipment SR' 000*	*Right-of-use assets SR' 000*	***Total SR' 000***
Cost:					
As at 1 January 2021	7,041	436	440	13,602	**21,519**
Additions during the year	867	84	10	1,960	**2,921**
As at 31 December 2021	7,908	520	450	15,562	**24,440**
Additions during the year	37	48	12	-	**97**
As at 31 December 2022	7,945	568	462	15,562	**24,537**
Accumulated depreciation:					
As at 1 January 2021	4,768	210	371	3,586	**8,935**
Charge for the year	892	86	18	2,141	**3,137**
As at 31 December 2021	5,660	296	389	5,727	**12,072**
Charge for the year	883	71	16	2,191	**3,161**
As at 31 December 2022	6,543	367	405	7,918	**15,233**
Net book amounts:					
At 31 December 2021	2,248	224	61	9,835	**12,368**
At 31 December 2022	**1,402**	**201**	**57**	**7,644**	**9,304**

11 INTANGIBLE ASSETS

	Computer software SR'000	*Capital work-in-progress SR' 000*	***Total SR' 000***
Cost:			
As at 1 January 2021	14,450	935	**15,385**
Additions during the year	-	3,344	**3,344**
As at 31 December 2021	14,450	4,279	**18,729**
Additions during the year	-	1,985	**1,985**
As at 31 December 2022	14,450	6,264	**20,714**
Accumulated amortisation:			
As at 1 January 2021	6,653	-	**6,653**
Charge for the year	2,760	-	**2,760**
As at 31 December 2021	9,413	-	**9,413**
Charge for the year	2,186	-	**2,186**
As at 31 December 2022	11,599	-	**11,599**
Net book amounts:			
At 31 December 2021	5,037	4,279	**9,316**
At 31 December 2022	**2,851**	**6,264**	**9,115**

12 SHORT-TERM BORROWINGS

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Balance at the beginning of the year	**50,388**	-
Proceeds from borrowings	**280,000**	50,000
Add: finance charges (note 23)	**3,255**	388
Paid during the year	**(333,643)**	-
Balance at the end of the year	**-**	50,388

13 TRADE AND OTHER PAYABLES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Amounts due to shareholder (i)	**53,332**	22,500
Employees related accruals	**30,296**	25,373
Trade payables	**2,702**	16,500
VAT payable	**277**	510
Other payables (ii)	**5,530**	2,987
	92,137	67,870

13 TRADE AND OTHER PAYABLES (continued)

(i) Amounts due to shareholder also includes referral fee payable to the Parent Company on account of asset management fee income and brokerage commission income as detailed in note 18.

(ii) Other payable mainly includes accrued consultation fees amounting to SR 4,614 thousand (2021: SR 2,139 thousand).

14 CONTRACT LIABILITIES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Asset management fees	**29,784**	51,316
Margin lending profit	**993**	-
Total contract liabilities	**30,777**	51,316
Less: current portion of contract liabilities	**(10,256)**	(9,263)
Non-current portion of contract liabilities	**20,521**	42,053

15 LEASE LIABILITIES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Balance at the beginning of the year	**10,220**	10,359
Additions during the year	-	1,960
Add: Finance charges (note 23)	**591**	664
Payments during the year	**(2,859)**	(2,763)
Total lease liabilities	**7,952**	10,220
Less: current portion of lease liabilities	**(2,364)**	(2,529)
Non-current portion of lease liabilities	**5,588**	7,691

16 ZAKAT

16.1 Zakat provision

The movement in the provision for the year is as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Balance at the beginning of the year	**47,380**	37,078
Provision provided during the year	**56,415**	47,380
Payments made during the year	-	(37,078)
Transferred to amounts due to shareholder	**(47,380)**	-
Balance at the end of the year	**56,415**	47,380

16.2 Status of assessments

The Company is a wholly owned subsidiary of Bank, and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is filed by the Bank from year ended 31 December 2011 with the Zakat, Tax and Customs Authority (the "ZATCA"). The Bank has filed the zakat returns for the years up to 31 December 2021.

17 EMPLOYEE BENEFIT OBLIGATIONS

The management has carried out an exercise to assess the present value of its defined benefit obligations at 31 December 2022 and 31 December 2021 in respect of employees benefit obligations payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	31 December 2022	*31 December 2021*
Discount rate	**4.76%**	3.31%
Expected rate of salary increase	**4.80%**	3.11%

The employee benefit obligations typically expose the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

a) Interest risk

As explained in note 2.2.16, the discount rate used to calculate the present value of the employee benefit obligations is estimated by reference to yields on the KSA government sukuk bonds . A decrease in the bond interest rate will increase the employee benefit obligations.

b) Longevity risk

The present value of the employee benefit obligations is calculated by reference to the best estimate of the number of years of employment. An increase in the number of the remaining years of employment will increase the employee benefit obligations.

c) Salary risk

The employee benefit obligations is calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the employee benefit obligations.

The changes in the present value of defined unfunded benefit obligation is as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
At beginning of the year	**24,749**	19,762
Net benefit expense	**5,037**	4,476
Benefits paid during the year	**(1,110)**	(294)
Actuarial loss included in other comprehensive income	**589**	805
At end of the year	**29,265**	24,749

The breakdown of net benefit costs charged to the statement of profit or loss is as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Current service cost	**4,237**	3,937
Interest expense	**800**	539
Net benefit expense	**5,037**	4,476

17 EMPLOYEE BENEFIT OBLIGATIONS (continued)

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the employee benefit obligations liability as at 31 December is shown below:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Discount rate:		
1% increase	**(2,622)**	(2,215)
1% decrease	**3,067**	2,599
Salary increase rate:		
1% increase	**3,190**	2,695
1% decrease	**(2,774)**	(2,336)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the employees' terminal benefit liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefit liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognised in the statement of financial position.

Expected maturity

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

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Less than a year	**2,447**	1,920
1-2 years	**1,823**	1,593
2-5 years	**5,459**	4,692
Over 5 years	**40,052**	26,900
	49,781	35,105

18 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its Parent Company, funds managed by the Company, executive members of Company's board of directors, key management personnel and companies of which these related parties are principal owners. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

18.1 Related party transactions

The following are the details of the significant transactions with related parties during the year:

Name of related party	*Nature of relationship*	*Nature of transaction*	***31 December 2022 SR' 000***	*31 December 2021 SR' 000*
Funds Managed by the Company	Funds			
		Asset management fees, gross	**353,044**	341,607
		Administration fees	**4,125**	6,614
		Brokerage income	**1,760**	1,258
		Proceeds from short-term borrowings from a fund	**280,000**	50,000
		Finance charges	**3,255**	388
		Repayment of short-term borrowings to a fund	**(333,643)**	-
Alinma Bank	Parent Company	Referral fee for brokerage income	**(6,467)**	(9,062)
		Referral fee for asset management income	**(23,600)**	(23,600)
		Board allowance	**(2,467)**	(1,099)
		Administrative and custodian service fees	**3,350**	915
		DPM Management fees	**2,324**	1,549
		Transfer of zakat payable	**47,384**	37,078

18.2 Related party balances

Year-end balances receivable (payable) arising from transactions with related parties are as follows:

Name of related party	*Nature of relationship*	*Balances*	***31 December 2022 SR' 000***	*31 December 2021 SR' 000*
Alinma Bank	Parent Company	Accrued referral fees	**(5,648)**	(19,131)
		Zakat payable	**(47,380)**	-
Funds Managed by the Company	Funds			
		Financial assets at FVTPL	**376,686**	385,146
		Accrued management fees receivable, gross	**325,857**	371,421
		Advance management fees	**(29,784)**	(51,316)
		Administration fees	**13,738**	10,047
		Other receivables	**2,462**	3,235
		Short-term borrowings payable	-	(50,388)

18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

18.3 Key management personnel compensation

Compensation of key management personnel of the Company are as follows:

	31 December 2022 SR' 000	31 December 2021 SR' 000
Employee benefit obligations	**2,037**	1,159
Short-term employee benefits	**233**	215
Board remuneration	**2,467**	1,099
	4,737	2,473

19 SHARE CAPITAL

The Company's authorized share capital consists of 100 million shares (31 December 2021: 100 million shares) of Saudi Riyals 10 each. As at 31 December 2022 and 2021, the paid-up capital consists of 50 million shares of Saudi Riyals 10 each.

20 REVENUE

20.1 Disaggregation of revenue by:

	31 December 2022 SR' 000	31 December 2021 SR' 000
Types of services:		
Asset management fees, net	**326,154**	319,340
Brokerage commission income	**77,235**	118,847
Income from Murabaha and Wakala services	**42,384**	49,549
Investment banking fee income	**15,175**	23,527
Custody fee income	**9,744**	6,796
Other income (i)	**10,135**	8,723
	480,827	526,782
Income from margin lending	**53,019**	52,736
	533,846	579,518
Revenue by customer type:		
Related parties	**337,336**	319,340
Corporates	**46,784**	39,020
Others	**96,707**	168,395
	480,827	526,755
Timing of revenue recognition		
Recognised at point in time	**98,645**	142,374
Recognised over-time	**382,182**	384,381
	480,827	526,755

(i) Other income majorly includes administration related fees.

21 SPECIAL COMMISSION INCOME

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Special commission income from financial assets at amortised cost	**3,680**	561
Special commission income from financial assets at FVOCI	**245**	748
Special commission income from financial assets at FVTPL	**30**	-
	3,955	1,309

22 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Information technology maintenance and support expenses	**16,521**	13,989
Board remuneration	**2,467**	1,099
Advertisements	**1,404**	1,109
Professional fees	**1,034**	3,228
Other expenses (i)	**4,218**	3,718
	25,644	23,143

(i) Other expenses majorly includes subscription fees and other employee related expenses.

23 FINANCIAL CHARGES

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Financial charges on short-term borrowings (note 12)	**3,255**	388
Financial charges on lease liabilities (note 15)	**591**	1,590
	3,846	1,978

24 ASSETS HELD UNDER FIDUCIARY CAPACITY

24.1 Assets under management
These represent the mutual funds' assets and investments managed by the Company on behalf of its customers, which amounts to SR 73,416 million (31 December 2021: SR 72,985 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

24.2 Clients' cash accounts
Pursuant to the CMA's Capital Market Institutions Regulations requiring Client money segregation, the Company holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities.

The Company is holding clients' cash accounts, which amounts to SR 2,955 million (31 December 2021: SR 3,408 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

25 REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012G (Corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum capital requirement and its calculation methodology. 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.

In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Capital base:		
Tier I Capital	**2,329,022**	1,842,918
Tier II Capital	**-**	-
Total capital base	**2,329,022**	1,842,918
Minimum Capital Requirements:		
Market risk	**21,288**	17,284
Credit risk	**727,663**	653,430
Operational risk	**87,344**	72,682
Total minimum capital requirements	**836,295**	743,396
Capital adequacy ratio:		
Surplus capital	**1,492,727**	1,099,522
Total capital ratio (times)	**2.78**	2.48

Capital base of the Company comprise of:

- Tier – I capital - consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves, with certain deductions as per the Rules.
- Tier – II capital – consists of revaluation reserves with certain deductions as per the Rules.

The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, financial assets at amortised cost, trade and other receivables and advance for acquisition of financial assets at FVTPL. Financial liabilities consist of trade and other payables, lease liabilities, contract liabilities and short-term borrowings.

Due to short-term nature of most of the financial instruments, their carrying amounts are considered to be the same as their fair values.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table shows the fair values of financial assets, including their levels in the fair value hierarchy:

As at 31 December 2022	***Level 1 SR' 000***	***Level 2 SR' 000***	***Level 3 SR' 000***	***Total SR' 000***
Financial assets at FVTPL (note 6)	112,609	12,235	612,767	**737,611**
Financial assets at FVOCI (note 7)	-	7,231	2	**7,233**
Financial assets at amortised cost (note 8)	71,135	-	-	**71,135**
Total	**183,744**	**19,466**	**612,769**	**815,979**

As at 31 December 2021	*Level 1 SR' 000*	*Level 2 SR' 000*	*Level 3 SR' 000*	*Total SR' 000*
Financial assets at FVTPL (note 6)	37,930	59,492	440,090	537,512
Financial assets at FVOCI (note 7)	-	17,424	2	17,426
Financial assets at amortised cost (note 8)	-	4,849	-	4,849
Total	37,930	81,765	440,092	559,787

27 FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to market risk (including foreign currency risk, commission rate risk and price risk), credit risk and liquidity risk.

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

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

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

27.1 Market risk

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's does not have any significant foreign currency exposure as transactions are principally carried out in Saudi Riyals.

Special commission rate risk
Special commission rate risk is the risk that the fair value or future cashflows of a financial instruments will fluctuate due to changes in the market special commission rates. The Company is subject to special commission rate risk on its special commission bearing assets.

27 FINANCIAL RISK MANAGEMENT (continued)

27.1 Market risk (continued)

Special commission rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in special commission income on financial instruments affected with all other variables held constant. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be significant.

	Impact on profit or loss	
	31 December 2022 SR' 000	*31 December 2021 SR' 000*
Change in profit rate:		
1% increase	**873,990**	222,726
1% decrease	**(873,990)**	(222,726)

Management monitors the market changes in commission rates on regular basis to minimize commission rate risk.

Price risk

Price risk is the risk that the fair value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial assets at FVTPL that the Company holds. The management closely monitors the price movement of these financial assets. The Company manages the risk through diversification of its investment portfolio by investing in financial assets which does not have significant price movement considering the nature and size of the Company.

Sensitivity analysis

A change in the price of financial assets held at FVTPL, with all other variables held constant, would impact the statement of profit or loss and statement of changes in equity as set out below:

	31 December 2022 SR' 000	*31 December 2021 SR' 000*
5% increase	**36,429**	26,876
5% decrease	**(36,429)**	(26,876)

*27.2 **Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any current and future financial commitments as and when they fall due. As at 31 December 2022 and 2021, all financial liabilities were current in nature, except for contract liabilities and lease liabilities for which the liquidity profile is presented below:

27 FINANCIAL RISK MANAGEMENT (continued)

27.2 Liquidity risk (continued)

31 December 2022	***Up to 1 year SR' 000***	***1 to 5 years SR' 000***	***More than 5 years SR' 000***	***Total SR' 000***
Contract liabilities	**10,256**	**20,521**	**-**	**30,777**
Lease liabilities	**2,364**	**4,362**	**1,226**	**7,952**
	12,620	**24,883**	**1,226**	**38,729**

31 December 2021	*Up to 1 year SR' 000*	*1 to 5 years SR' 000*	*More than 5 years SR' 000*	*Total SR' 000*
Contract liabilities	9,263	42,053	-	42,053
Lease liabilities	2,529	6,592	1,099	10,220
	11,792	48,645	1,099	52,273

Credit risk

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

The Company is exposed to credit risk on its cash at bank, portfolio financing receivables, asset management fee receivables, investment banking fee receivables, other receivables, financial assets at FVOCI – debt instrument and financial assets at amortised cost. The credit risk against cash and cash equivalents is generally managed on the basis of external credit grading of the bank. The Company's management seeks to limit its credit risk by monitoring credit exposures asset management fee receivables from the funds managed by it and does not consider itself exposed to significant credit risk in respect of these balances because of having a priority as creditor over the unit holders of the fund.

The Company requires collateral from clients against portfolio financing receivable which is monitored for market value of the collateral held in customer accounts under fiduciary asset. For other financial assets credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2022 SR	*31 December 2021 SR*
Rated at least BBB+		
Cash and cash equivalents	**114,645**	163,787
Unrated		
Secured		
Portfolio financing receivable	**942,611**	930,809
Asset management fee receivable from funds managed by the Company	**325,857**	371,421
Investment banking receivables	**-**	29,352
Unsecured		
Advance for acquisition of financial assets at FVTPL	**100,000**	-
Security deposits	**46,272**	-
Other trade receivables	**42,272**	42,942
Financial assets at FVTPL – debt instrument	**9,033**	-
Financial assets at FVOCI – debt instrument	**7,231**	17,424
Amounts due from related parties	**2,462**	3,235
Employee receivables	**2,135**	2153
Total exposure to credit risk	**1,592,518**	1,561,123

The Company has adopted the general approach. The management has conducted an impairment assessment based on the ECL as required under IFRS 9, considering various assumptions (refer note 5).

28 COMMITMENT AND CONTINGENCIES

28.1 Commitments
The Company has capital commitments for property and equipment as at 31 December 2022 amounting to SR 2,113 thousand (2021: SR 3,791 thousand).

28.2 Contingencies
There are legal cases filed against the Company, in the normal course of business, and the Company is currently pleading it, but the final outcome of such case is not certain yet. Management does not expect the outcome of such cases to be material to the financial statements of the Company.

29 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year, as follows:

Reclassified from component	*Reclassified to component*	*Amount SR*
Prepayments	Trade and other receivables	2,314
Other income	Revenue	8,723
Property, equipment and right-of-use assets	Intangible assets	4,279
Trade and other receivables	Non-current portion of portfolio financing receivable	166,503
Current portion of contract liabilities	Non-current portion of contract liabilities	9,263

30 SUBSEQUENT EVENTS

There were no events subsequent to the reporting date which require adjustments of or disclosure in the financial statements or notes thereto.

31 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 29 Rajab 1444H (corresponding to 20 February 2023).