RSM

شركة ار اس ام المحاسبون المتحدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

MUSHARKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

Financial statements for the year ended 31 December 2023 and independent auditor's report

RSM Allied Accountants Professional Services Co.

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الريـاض – حي العليا - طريق العروبة
مبنى رقم ٣١٩٣ ، الطابق الأول
ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣
هـاتف: ٩٣٦١ ٤١٦ ١١ ٩٦٦+
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INDEPENDENT AUDITOR'S REPORT

To the shareholders
Musharaka Capital Company
(A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Musharaka Capital Company (the "Company"), a Saudi Closed Joint Stock Company, which comprise the statement of financial position as at 31 December 2023, and the 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 material accounting policy information and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that are endorsed in the Kingdom of Saudi Arabia ("the Code") that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with requirements of the Code.

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

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

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

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

Independent auditor's report to the shareholders of Musharaka Capital Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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.

RSM Allied Accountants Professional Services

شركة ار اس ام المحاسبون المتحدون للإستشارات المهنية
س.ت: ٤٠٣٠٢٢٨٧٧٣
C.R. 4030228773
RSM Allied Accountants Professional Services Co.

Mohammed Bin Farhan Bin Nader
License No. 435
Al-Khobar, Kingdom of Saudi Arabia
28 March 2024 (corresponding to 18 Ramadan 1445H)

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

Statement of profit or loss and other comprehensive income
(Expressed in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	**2023**	2022
Income			
Revenue from contracts with customers	5	**41,307,773**	37,142,263
Gain on investments carried at fair value through profit or loss	14	**1,501,981**	4,534,224
Share of profit of associates and unconsolidated subsidiaries accounted for using equity method	12,13	**2,827,855**	1,307,419
Other income		**79,345**	11,472
		45,716,954	42,995,378
Operating expenses			
Brokerage service expenses	6	**(1,747,975)**	-
Selling and marketing expenses		**(459,888)**	(231,550)
General and administrative expenses	7	**(32,479,167)**	(25,469,562)
Finance costs	8	**(1,423,466)**	(543,045)
		(36,110,496)	(26,244,157)
Profit before zakat		**9,606,458**	16,751,221
Zakat expense	26	**(1,100,000)**	(1,250,000)
Profit for the year		**8,506,458**	15,501,221
Other comprehensive income:			
Items that will not be reclassified to profit or loss in subsequent years:			
• Loss on remeasurement of employee benefit obligations	23	**(207,673)**	(60,472)
• Share of other comprehensive loss of associates accounted for using equity method	13	**-**	-
Other comprehensive loss for the year		**(207,673)**	(60,472)
Total comprehensive income for the year		**8,298,785**	15,440,749

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

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

Statement of financial position
(Expressed in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	2022
Assets			
Non-current assets			
Property and equipment	9	**3,886,060**	3,100,937
Right of-use-asset	10	**4,517,347**	6,438,788
Intangible assets	11	**196,073**	369,543
Investment in unconsolidated subsidiaries	12	**2,017,671**	2,017,671
Investment in associates	13	**45,001,033**	43,928,549
Total non-current assets		**55,618,184**	55,855,488
Current assets			
Investments carried at fair value through profit or loss	14	**29,538,282**	19,663,595
Accounts receivable	15	**18,155,793**	10,518,165
Prepayments and other receivables	16	**9,341,403**	1,528,901
Cash and cash equivalents	17	**1,591,377**	9,942,776
Total current assets		**58,626,855**	41,653,437
Total assets		**114,245,039**	97,508,925
Equity and liabilities			
Equity			
Share capital	18	**65,000,000**	65,000,000
Statutory reserve	19	**4,130,180**	3,279,534
Retained earnings		**19,820,981**	12,165,169
Remeasurement reserve for employee benefits obligations	23	**256,365**	464,038
Total equity		**89,207,526**	80,908,741
Liabilities			
Non-current liabilities			
Long-term borrowings	21	**9,000,000**	-
Lease liabilities	22	**3,664,432**	5,324,370
Employee benefit obligations	23	**2,965,577**	2,242,741
Total non-current liabilities		**15,630,009**	7,567,111
Current liabilities			
Short-term borrowings	24	**3,000,000**	3,000,000
Current portion of long-term borrowings	21	**1,338,062**	-
Current portion of lease liabilities	22	**1,088,184**	917,400
Accrued expenses and other liabilities	25	**2,649,649**	3,786,320
Zakat provision	26	**1,331,609**	1,329,353
Total current liabilities		**9,407,504**	9,033,073
Total liabilities		**25,037,513**	16,600,184
Total equity and liabilities		**114,245,039**	97,508,925

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

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

Statement of changes in equity
(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for employee benefit obligations	Total
At 1 January 2022	65,000,000	1,729,412	9,914,070	524,510	77,167,992
Profit for the year	-	-	15,501,221	-	15,501,221
Other comprehensive loss for the year	-	-	-	(60,472)	(60,472)
Total comprehensive income (loss) for the year	-	-	15,501,221	(60,472)	15,440,749
Transfer to statutory reserve	-	1,550,122	(1,550,122)	-	-
Dividends (Note 20)	-	-	(11,700,000)	-	(11,700,000)
At 31 December 2022	65,000,000	3,279,534	12,165,169	464,038	80,908,741
Profit for the year	**-**	**-**	**8,506,458**	**-**	**8,506,458**
Other comprehensive loss for the year	**-**	**-**	**-**	**(207,673)**	**(207,673)**
Total comprehensive income (loss) for the year	**-**	**-**	**8,506,458**	**(207,673)**	**8,298,785**
Transfer to statutory reserve	**-**	**850,646**	**(850,646)**	**-**	**-**
At 31 December 2023	**65,000,000**	**4,130,180**	**19,820,981**	**256,365**	**89,207,526**

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

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)

Statement of cash flows
(Expressed in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2023	2022
Cash flows from operating activities			
Profit before zakat		**9,606,458**	16,751,221
Adjustments for:			
Depreciation and amortization	9,10,11	**3,050,754**	2,347,642
Finance cost	8	**1,423,466**	543,045
Share of results of unconsolidated subsidiaries and associates accounted for using the equity method, net	13	**(2,827,855)**	(1,307,943)
Gain on investments carried at fair value through profit or loss	14	**(470,575)**	(438,907)
Employee benefit obligations	23	**586,816**	468,138
Changes in operating assets and liabilities:-			
(Increase) decrease in accounts receivable		**(7,637,628)**	89,839
Increase in prepayments and other receivables		**(7,812,502)**	(43,428)
(Decrease) increase in accrued expenses and other liabilities		**(798,609)**	(195,644)
Cash (used in) generated from operations		**(4,879,675)**	20,219,462
Employees benefit obligations paid	23	**(71,653)**	(77,382)
Finance cost paid		**(1,110,779)**	(187,415)
Zakat paid	26	**(1,097,744)**	(921,193)
Net cash (outflow) inflow from operating activities		**(7,159,851)**	17,027,973
Cash flows from investing activities			
Payments for the purchases of property and equipment	9	**(1,683,216)**	(2,080,082)
Addition to intangible assets	11	**(57,750)**	(52,407)
Dividends received from an associate	13	**1,755,371**	2,789,714
Loan reimbursement from an associate	13	**-**	775,000
Additions to investments carried at fair value through profit or loss	14	**(19,879,216)**	(6,301,015)
Proceeds from redemption of investments carried at fair value through profit or loss	14	**10,475,104**	7,007,473
Net cash (outflow) inflow from investing activities		**(9,389,707)**	2,138,683
Cash flows from financing activities			
Proceed from Long-term borrowings	21	**10,000,000**	-
Repayment of lease liabilities	22	**(1,801,841)**	(2,244,453)
Short-term borrowings	24	**-**	(786,077)
Dividends paid	20	**-**	(11,700,000)
Net cash inflow (outflow) from financing activities		**8,198,159**	(14,730,530)
Net change in cash and cash equivalents		**(8,351,399)**	4,436,126
Cash and cash equivalents at the beginning of the year		**9,942,776**	5,506,650
Cash and cash equivalents at the end of the year	17	**1,591,377**	9,942,776

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

1 GENERAL INFORMATION

Musharaka Capital Company (the "Company") is registered, under Commercial Registration ("CR") number 2051056409 issued in Al Khobar, Kingdom of Saudi Arabia, dated 20 Rabi' II 1435H (corresponding to 20 February 2014). The Company was incorporated under Ministry of Commerce resolution number 73/K dated 29 Rabi' I 1435H (corresponding to 30 January 2014).

The principal activities of the Company are dealing, investment management and funds operating, arranging, advisory and securities custody service under License No. 13169-27, dated 2 Dhul-Hijjah, 1434H (7 October 2013) issued by the Capital Market Authority ("CMA") of Kingdom of Saudi Arabia.

The Company's registered address is P. O. Box 712, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying financial statements include the result and operation of the Company's branch located in Riyadh registered under CR number 1010781063.

During 2023, pursuant to approval of the CMA, the Company has started providing financing, and brokerage services to the clients through a trading platform. Such services include arrangement of financing deals such as Sharia-compliant Murabaha arrangements through Musharaka Margin Financing Fund, (a private closed-ended Sharia-compliant fund, managed by the Company), trade in both local and global equity markets and related margin trading facilities.

2 BASIS OF PREPARATION

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.3 New and amended Standards adopted by the Company

The Company has applied the amendments to the standards for the first time in relation to 'narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, for reporting periods commencing on or after 1 January 2023.

There were certain other amendments to the standards applicable for the periods beginning on or from 1 January 2023, which were not relevant for the Company, hence are not presented.

2.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2024 or later reporting periods and have not been early adopted by the Company. Such standards are not expected to have a material impact in the future reporting periods and on foreseeable future transactions.

2 BASIS OF PREPARATION (continued)

2.5 Foreign currencies

Functional and presentation currency

The Company's financial statements are presented in Saudi Arabian Riyals ("Saudi Riyals"), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied for the preparation of financial statement of the Company are set our below. The accounting policies have been consistently applied to all years presented.

3.1 Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities the Company. Revenue is measured at fair value of consideration received or receivable, and is recognized to the extent that, (i) it is probable that any future economic benefit associated with the item of revenue will flow to the Company, (ii) the revenue can be reliably measured, regardless of when the payment is being made and (iii) the costs are identifiable and can be measured reliably. The Company applies five-step model to recognize revenue.

Step:1 Identify the contract with the customer

Step:2 Identify the performance obligations in the contract

Step:3 Determine the transaction price

Step:4 Allocate the transaction price to the performance obligations in the contract

Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Based on the above five steps, the revenue recognition policy for each major revenue stream is as follows:

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

Subscription income
Subscription fee is recognized, at a point in time, upon subscription of the investor to the fund.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 Revenue (continued)

Advisory and investment banking services revenue
Advisory and investment banking services revenue is recognized based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

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

Custody income
Custody income is recognized on rendering of services as per contract.

Dividends income
Dividends income is recognized when the right to receive dividend is established.

3.2 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and conditions necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other costs directly attributable to bringing the asset to the location and condition. Capital work-in-progress is not depreciated.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a Right of Use ("RoU") asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Right-of-use (RoU) assets

The RoU assets comprise the initial measurement of the corresponding lease liability, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

RoU assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets are presented as a separate line in the statement of financial position.

The Company determines whether a RoU asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the statement of profit or loss and other comprehensive income when it is incurred. Software under development is included as part of capital work-in-progress and is capitalized to intangible assets upon ready for use.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives 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 accounted for by changing 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 profit or loss in the expense category consistent with the function of the intangible assets.

3.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used as determined by the independent external valuers.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

3.6 Investment in a subsidiary

Subsidiary is an entity over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary is fully consolidated from the date on which control is transferred and is deconsolidated from the date when the control ceases.

Investment in an unconsolidated subsidiary is accounted for based on equity method of accounting.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Investment in a subsidiary (continued)

If the ownership interest in a non-consolidated subsidiary is reduced but control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the statement of profit or loss where appropriate. The Company's share of post-acquisition profit or loss is recognized in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Dividends received or receivable from un-consolidated subsidiary entities are recognized as a reduction in the carrying amount of the investment.

Profits and losses resulting from upstream and downstream transactions between the Company and its subsidiary are recognized in the financial statements only to the extent of unrelated investor's interests in such subsidiary.

3.7 Investment in associates

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those decisions.

The Company's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in associates is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associates since the acquisition date.

An investment is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

a) Goodwill relating to associates is included in the carrying amount of the investment and not tested for impairment separately.
b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

The statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the associates. Any change in other comprehensive income of those associates is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associates, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of associates is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Company.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Investment in associates (continued)

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the loss as 'Share of profit of associates and in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

3.8 Accounts and other receivable

Accounts and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any expected credit loss ("ECL"). Accounts receivables are generally due for settlement within 30 days. The Company has applied the simplified approach to measuring ECL, which uses a lifetime expected loss allowance. To measure the ECL, trade receivables are grouped based on days overdue.

Other receivables are recognised at amortised cost, less any ECL.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less.

3.10 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Financial instruments

Financial assets

Classification

Financial assets at amortised cost

The Company classifies its financial assets as measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets are classified as investments at fair value through profit or loss if they are acquired for the purpose of selling or repurchasing them in the near term. The Company designated its holding in a local quoted and unquoted securities, and units portfolio in mutual funds as financial assets at fair value through profit or loss. Such investments are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Recognition and derecognition

At initial recognition, the Company measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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.

Financial liabilities

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Financial instruments (continued)

Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

The Company measures financial instruments, i.e. investment carried at FVTPL and financial derivatives, at fair value at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Financial instruments (continued)

Measurement (continued)

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.

3.12 Offsetting financial assets and liabilities

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

3.13 Impairment of financial assets

The Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost.

The Company measures ECL allowance at an amount equal to lifetime ECLs. 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.

Receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9, the identified impairment loss is not considered to be material.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Share capital

Ordinary shares are classified as equity.

3.15 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders.

3.16 Zakat

The Company is subject to zakat in accordance with the regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is recognized in the statement of profit or loss and other comprehensive income. Zakat is levied at a fixed rate as per ZATCA regulations, applicable to the higher of zakat base or adjusted net income.

The Company's management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the zakat returns with respect to situations in which applicable zakat regulation is subject to interpretation.

3.17 Employee benefit obligations

The Company operates a single employee benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is payment of benefit at the end of service contract, based on most recent salary and number of service years.

The employee benefits plan is not funded. The valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the employee benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(Expressed in Saudi Riyals unless otherwise stated)

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, 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 the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value estimation of investments at fair value through profit or loss

Management uses a standard and consistent valuation technique to ascertain the fair values. In all cases, management uses the reported net asset values ("NAV") of the investee entities as their fair valuation, where the underlying investments are made in unit-linked funds. However, the NAV of the investee entities are assessed based on the fair values estimates using various techniques as deemed necessary including but not limited to discounted cash flows, comparable transactions, earning multiples, recent sales transactions, etc. If necessary, adjustments to the NAV are made to obtain the best estimate of fair value. In addition to the NAV, the valuation is based on management's best estimate considering recent purchase or sale transactions, available financial information or other suitable indicators of the fair value.

Impairment losses on accounts receivable

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

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Funds management fee	**34,624,676**	18,503,858
Advisory and arranging services	**3,565,000**	2,421,000
Brokerage services	**1,451,252**	-
Transaction fee	**800,000**	2,350,000
Subscription fee	**713,756**	816,108
Funds custody fee	**153,089**	77,543
Performance fee	**-**	12,973,754
	41,307,773	37,142,263

5.1 PERFORMANCE OBLIGATIONS

a) Revenue from funds management fee:

The Company recognizes the fund management fees based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with funds.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

5.1 PERFORMANCE OBLIGATIONS (continued)

b) Revenue from transaction fee:

The Company is entitled to transaction fee based on a percentage up to 1% of the value of property, on purchase or sale based on applicable terms and conditions of the underlying fund for which such transaction is undertaken.

c) Revenue from brokerage services:

The performance obligations are satisfied at the point in time at which a buy or sell order is executed by the client. The Company recognizes the brokerage service fee income, net of discount, if any, as and when a trade order is executed.

d) Revenue from advisory and arranging fee:

The Company is entitled to recognize advisory and arranging fee based on services rendered under the terms and conditions and applicable service contracts.

e) Revenue from mutual funds subscription fee:

Revenue from subscription fee is measured based on the consideration specified in applicable terms and conditions of the related fund. Revenue is recognized at a point in time when the units in the funds are subscribed or allocated to the investors (unitholders).

f) Revenue from custody fee:

Custody fee income is recognized based on the rendering of services as per contract.

6 BROKERAGE SERVICE EXPENSES

	2023
Salaries and benefits	**470,000**
Fund expenses	**375,715**
Brokerage commission discount	**374,992**
CMA fee	**316,360**
Edaa (“Saudi Tadawul”) fee	**158,181**
Muqassa fee	**52,727**
	1,747,975

(Expressed in Saudi Riyals unless otherwise stated)

7 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
Salaries and benefits		**17,742,029**	13,327,632
Depreciation and amortization	9,10,11	**3,050,754**	2,347,642
Referral fee		**1,626,175**	-
Legal and professional fee		**1,257,546**	1,360,570
Employees bonus		**2,409,942**	2,383,695
IT expenses		**1,401,957**	1,826,637
Board of Directors bonus		**1,135,834**	884,000
Employee benefits obligation		**586,816**	468,138
Rent and utilities		**324,461**	290,458
Allowance for expected credit loss		**127,500**	850,000
Other		**2,816,153**	1,730,790
		32,479,167	25,469,562

8 FINANCE COSTS

	Note	2023	2022
Finance cost on borrowings	21, 24	**1,110,779**	187,415
Finance cost on lease liabilities	22	**312,687**	355,630
		1,423,466	543,045

9 PROPERTY AND EQUIPMENT

2023	**Leasehold improvements**	**Furniture and fixtures**	**Office equipment**	**Vehicles**	**Capital work -in-progress**	**Total**
Cost						
At 1 January	**2,588,274**	**974,978**	**2,055,268**	**90,836**	**337,927**	**6,047,283**
Additions	**466,882**	**196,259**	**683,146**	**-**	**336,929**	**1,683,216**
Transfers	**422,705**	**-**	**-**	**-**	**(422,705)**	**-**
At 31 December	**3,477,861**	**1,171,237**	**2,738,414**	**90,836**	**252,151**	**7,730,499**
Accumulated depreciation						
At 1 January	**877,258**	**603,979**	**1,374,273**	**90,836**	**-**	**2,946,346**
Charge for the year	**465,531**	**123,387**	**309,175**	**-**	**-**	**898,093**
At 31 December	**1,342,789**	**727,366**	**1,683,448**	**90,836**	**-**	**3,844,439**
Net book value						
At 31 December	**2,135,072**	**443,871**	**1,054,966**	**-**	**252,151**	**3,886,060**

(Expressed in Saudi Riyals unless otherwise stated)

9 PROPERTY AND EQUIPMENTS (Continued)

2022	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Capital work -in-progress	Total
Cost						
At 1 January	1,510,658	588,379	1,642,340	90,836	310,150	4,142,363
Additions	767,466	386,599	588,090	-	337,927	2,080,082
Transfers	310,150	-	-	-	(310,150)	-
Disposal	-	-	(175,162)	-	-	(175,162)
At 31 December	2,588,274	974,978	2,055,268	90,836	337,927	6,047,283
Accumulated depreciation						
At 31 January	555,079	545,023	1,348,724	90,836	-	2,539,662
Charge for the year	322,179	58,956	200,711	-	-	581,846
Disposal	-	-	(175,162)	-	-	(175,162)
At 31 December	877,258	603,979	1,374,273	90,836	-	2,946,346
Net book value						
At 31 December	1,711,016	370,999	680,995	-	337,927	3,100,937

9.1 The leasehold improvements represents cost incurred on the interior structural changes to the leasehold offices.

9.2 Capital work-in-progress represents cost of on-going design changes and modification to certain leasehold offices.

a) Depreciation is charged to profit or loss over the following estimated useful lives:

	Number of years
• Leasehold improvements	3 - 10 (as per the applicable lease agreement)
• Furniture and fixtures	4
• Office equipment	4
• Vehicles	4

10 RIGHT-OF-USE ASSET

	2023	2022
Cost:		
1 January	**10,406,157**	7,945,606
Addition	**-**	2,742,725
Modification	**-**	(282,174)
At 31 December	**10,406,157**	10,406,157
Accumulated amortization:		
At 1 January	**3,967,369**	2,426,921
Charge for the year	**1,921,441**	1,540,448
At 31 December	**5,888,810**	3,967,369
Book value		
At 31 December	**4,517,347**	6,438,788

(Expressed in Saudi Riyals unless otherwise stated)

10 RIGHT-OF-USE ASSET (Continued)

The entity leases office premises under agreements of five to ten years, in including certain agreements with, options to extend. As per the agreements, the leases terms are to be renegotiated upon renewal.

11 INTANGIBLE ASSETS

2023	**Software**	**Capital work-in-progress**	**Total**
Cost:			
At 1 January	**918,320**	**70,032**	**988,352**
Additions	**35,250**	**22,500**	**57,750**
At 31 December	**953,570**	**92,532**	**1,046,102**
Accumulated amortization			
At 1 January	**618,809**	**-**	**618,809**
Charge for the year	**231,220**	**-**	**231,220**
At 31 December	**850,029**	**-**	**850,029**
Net book values:			
At 31 December	**103,541**	**92,532**	**196,073**

2022	**Software**	**Capital work-in-progress**	**Total**
Cost:			
At 1 January	918,320	17,625	935,945
Additions	-	52,407	52,407
At 31 December	918,320	70,032	988,352
Accumulated amortization			
At 1 January	393,461	-	393,461
Charge for the year	225,348	-	225,348
At 31 December	618,809	-	618,809
Net book values:			
At 31 December	299,511	70,032	369,543

Intangible assets representing software with finite useful lives are amortized on a straight - line method basis over a period not exceeding 4 years.

Capital work-in-progress represents cost incurred related to addition of modules to the existing accounting software and enhancement in the related accessibility functions.

(Expressed in Saudi Riyals unless otherwise stated)

12 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

Name of subsidiaries	Note	Effective ownership interest	2023	2022
Investments in JAD Healthcare			**2,000,000**	2,000,000
Tanseeq Al-Ola	12.1	100%	**8,692**	8,692
Tanseeq Al Taqa	12.2	100%	**8,979**	8,979
			2,017,671	2,017,671

Investments in JAD Healthcare include advances paid against acquisition of shareholding in JAD Healthcare, which will be realised in the future subject to satisfaction of certain terms and conditions of the related acquisition agreement. Further, the value of such advances i.e. Saudi Riyals 2 million is fully recoverable and there is no risk of impairment.

During March 2024, JAD Healthcare has made a commitment to repay the investment made by the Company, which totals Saudi Riyals 2 million.

12.1 The movement of investment in Tanseeq Al Ola is as follows:

	2023	2022
At 1 January	**8,692**	8,971
Share of profit or loss	**-**	(279)
At 31 December	**8,692**	8,692

Tanseeq Al-Ola Trading Company ("Tanseeq"), a Saudi limited liability company, is registered in Al Khobar, under CR number 2051213542 dated 3 Ramadan 1438H (corresponding to 28 May 2017). Tanseeq is registered to engage in purchase, sale and lease of land and real estate, real estate development and investment activities, building construction, and export, commercial and marketing commitments on behalf of others.

12.2 The movement of investment in Tanseeq Al Taqa is as follows:

	2023	2022
At 1 January	**8,979**	9,224
Share of profit or loss	**-**	(245)
At 31 December	**8,979**	8,979

Tanseeq Al Taqa Investment Company ("Al Taqa"), a Saudi limited liability company is registered in Al Khobar, under CR number 2051223419 dated 20 Rabi'I 1440H corresponding to 29 November 2018. Al Taqa is registered to engage in designing, installation, maintenance, and inspection of solar photovoltaic systems. Operation and maintenance of pumping stations and pipelines. Al Taqa did not conduct any operating activities from inception till the reporting date.

(Expressed in Saudi Riyals unless otherwise stated)

13 INVESTMENT IN ASSOCIATES

Name	**Note**	**Ownership**	**2023**	2022
Musharaka REIT Fund	13.1	5.28%	**40,123,917**	41,844,241
ARMAS Company Limited	13.2	25%	**4,877,116**	2,084,308
			45,001,033	43,928,549

The movement in investment in associates is as follows:

	Note	**2023**	2022
At 1 January		**43,928,549**	46,185,320
Loan reimbursement		**-**	(775,000)
Share of profit or loss	13.1, 13.2	**2,827,855**	1,307,943
Dividends		**(1,755,371)**	(2,789,714)
At 31 December		**45,001,033**	43,928,549

13.1 Musharaka REIT Fund

Musharaka REIT Fund (the “REIT Fund”), is a closed-ended public real estate investment fund, managed by the Company. The REIT Fund is listed and publicly traded in Saudi exchange in compliance with Real Estate Investment funds regulations and Real Estate Investment Traded Funds Instructions issued by the CMA.

The Company owns 4.65 million units (2022: 4.65 million) of the REIT Fund, representing 5.28% of the total units, has representation on its board of directors and is acting in the capacity as manager of the REIT Fund. Out of the Company's investment in REIT Fund, units amounting to Saudi Riyals 5.5 million (2022: Saudi Riyals 4 million) are pledged against short-term loan. Further, during 2023 the Fund units value amounting to Saudi Riyals 3.3 million are pledged as collateral for long-term loan (Note 22).

The movement of investment in REIT Fund is as follows:

	2023	**2022**
At 1 January	**41,844,241**	44,076,012
Share of profit or loss	**(464,953)**	557,943
Dividends	**(1,255,371)**	(2,789,714)
At 31 December	**40,123,917**	41,844,241

(Expressed in Saudi Riyals unless otherwise stated)

13 INVESTMENT IN ASSOCIATES (continued)

13.2 ARMAS Company Limited

ARMAS Company Limited is a limited liability company ("ARMAS") registered in Dammam, Kingdom of Saudi Arabia, under CR number 2050028436 dated 7 Rabi 'I 1415H corresponding to 13 August 1994. ARMAS is engaged in the wholesale and retail trade in marble, industrial granite, wooden pallets, and wooden and metal furniture. The Company representing 25% shareholding in ARMAS. Investment in ARMAS is owned by a subsidiary who waived its right in the favor of the Company.

	2023	2022
At 1 January	**2,084,308**	2,109,308
Share of profit or loss	**3,292,808**	750,000
Dividends received	**(500,000)**	-
Loan reimbursement	**-**	(775,000)
At 31 December	**4,877,116**	2,084,308

14 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**2023**	2022
La Perla II Fund		**8,141,105**	5,000,000
Musharaka Margin Financing Fund		**5,000,000**	-
Al-Majediah Residence Al-Khobar Fund		**4,820,011**	-
Musharaka Safa Fund		**3,898,699**	-
Musharaka Saudi Equity Fund		**2,705,322**	5,511,625
Alkhayalah Elite Complex Fund		**2,612,704**	-
Investment in Securrency		**1,875,000**	1,875,000
Al Majediah Real Estate First Fund	14.1	**457,939**	3,024,530
Investment in Saudi listed companies		**27,502**	2,720
Musharaka Murabahat and Sukuk Fund		**-**	4,249,720
At 31 December		**29,538,282**	19,663,595

The movement of investments at fair value through profit or loss is as follows:

	2023	2022
At 1 January	**19,663,595**	19,931,146
Additions during the year	**19,879,216**	6,301,015
Disposal during the year	**(10,475,104)**	(7,007,473)
Change in fair value	**470,575**	438,907
At 31 December	**29,538,282**	19,663,595

14.1 During 2023, Al Majediah Real Estate First Fund was liquidated by its Board of Directors and the Company realised the partial carrying value of its investment amounting to Saudi Riyals 2.6 million at the date of initial liquidation.

(Expressed in Saudi Riyals unless otherwise stated)

14 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

14.2 Break-up of gain from investments carried at FVTPL is as follows:

	2023	2022
Realized gain from investments carried at FVTPL	**1,031,406**	4,095,317
Unrealized gain from investments carried at FVTPL	**470,575**	438,907
	1,501,981	4,534,224

15 ACCOUNTS RECEIVABLE

	2023	2022
Accounts receivable - related parties (Note 27)	**16,769,312**	9,488,068
Accounts receivable - third party	**1,507,717**	1,412,382
Unbilled from related parties	**1,204,657**	816,108
	19,481,686	11,716,558
Allowance for expected credit losses	**(1,325,893)**	(1,198,393)
	18,155,793	10,518,165

The movement in the allowance for expected credit losses is as follows:

	2023	2022
1 January	**1,198,393**	348,393
Allowance for the year	**127,500**	850,000
At 31 December	**1,325,893**	1,198,393

Allowance for expected credit loss amounting to Saudi Riyals 1.3 million represents, amount receivable from a third party for fund establishment services rendered by the Company. The Company has recorded an allowance against such amount considering the liquidity position of the third party.

An aged analysis of accounts receivable is as follows:

	Neither past due nor impaired	**Past due but not impaired**				
		< 180 days	**181-270 days**	**270-365 days**	**> 365 days**	**Total**
2023	**-**	**11,842,723**	**6,313,069**	**-**	**1,325,893**	**19,481,686**
2022	1,164,501	9,324,678		28,986	1,198,393	11,716,558

(Expressed in Saudi Riyals unless otherwise stated)

16 PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
Muqassa deposit (Note 16.1)	**5,000,000**	-
Prepaid expenses	**3,374,244**	1,095,817
Advance to employees	**967,159**	433,084
	9,341,403	1,528,901

16.1 This amount represent deposit with Securities Clearing Center Company ("Muqassa"). This deposit is maintained in a restricted account designated by Muqassa. The purpose of this deposit is to ensure compliance with the necessary regulations and obligations related to clearing processes.

17 CASH AND CASH EQUIVALENTS

	2023	2022
Cash at banks	**1,584,090**	9,931,250
Cash in hand	**7,287**	11,526
	1,591,377	9,942,776

18 SHARE CAPITAL

The authorized and issued share capital of the Company, comprise 6.5 million shares (31 December 2022: 6.5 million shares) of Saudi Riyals 10 each, held as follows:

Shareholders	No. of shares	Shareholding percentage	Value
Al Rajhi Ekhwan Group Company	1,820,000	28.0%	18,200,000
Atar Holding Company	1,690,000	26.0%	16,900,000
Ebreez Al Arabia Company	1,300,000	20.0%	13,000,000
Yaqeen Holding Company	1,137,500	17.5%	11,375,000
Mr. Ebrahim Bin Fahad Bin Mohammad Al Assaf	552,500	8.5%	5,525,000
	6,500,000	100%	65,000,000

19 STATUTORY RESERVE

In accordance with the Company's Articles of Association, the Company is required to transfer 10% of its profit for the year, after adjusting accumulated losses if any, to a statutory reserve until it equals to at least 30% of its share capital. This reserve is currently not available for distribution to the shareholders of the Company.

20 DIVIDENDS

During the year 2022, the Board of Directors of the Company approved dividends amounting to Saudi Riyals 11.7 million which were fully paid during such year. No such dividends have been approved or paid during 2023.

(Expressed in Saudi Riyals unless otherwise stated)

21 BORROWINGS

	2023
Long-term loan	**10,000,000**
Accrued financial charges	**338,062**
	10,338,062

Long-term loans are presented in the statement of financial position at 31 December as follows:

	2023
Non-current portion	**9,000,000**
Current portion	**1,338,062**
	10,338,062

Aggregate maturities of the outstanding long-term loan instalments as at 31 December are as follows:

	2023
2024	**1,338,062**
2025	**1,000,000**
2026	**1,000,000**
Above 2026	**7,000,000**
	10,338,062

During 2023, the Company entered into a Sharia-compliant financing facility, with a local commercial bank for a long-term loan with an overall limit of Saudi Riyals 25 million to finance the acquisition of units in certain funds managed by the Company. Such facility carries financial cost at market rates and agreed margin and is repayable in semi-annual installments over 5 years from the date of withdrawal.

The Company has withdrawn Saudi Riyals 10 million till 31 December 2023 for the purpose of subscription of Fund units.

The above loan is secured by a mortgage against the Company's investment in certain funds. Also see Note 12.

22 LEASE LIABILITY

	2023	2022
At 1 January	**6,241,770**	5,670,042
Addition	**-**	2,742,725
Interest charge for the year	**312,687**	355,630
Lease modification	**-**	(282,174)
Payments	**(1,801,841)**	(2,244,453)
At 31 December	**4,752,616**	6,241,770

a) Amounts recognised in profit and loss for the year ended 31 December:

	2023	2022
Depreciation of right-of-use assets	**1,921,441**	1,540,448
Interest on lease liabilities	**312,687**	355,630
	2,234,128	1,896,078

(Expressed in Saudi Riyals unless otherwise stated)

22 LEASE LIABILITY (Continued)

b) The maturity analysis of lease liabilities as at 31 December is as follows:

	Less than one year	One to five years	Total
2023			
Gross lease liabilities	**1,669,142**	**3,467,525**	**5,136,667**
Finance expense	**(179,521)**	**(204,530)**	**(384,051)**
	1,489,621	**3,262,995**	**4,752,616**

	Less than one year	One to five years	Total
2022			
Gross lease liabilities	1,990,907	4,992,620	6,983,527
Finance expense	(304,934)	(436,823)	(741,757)
	1,685,973	4,555,797	6,241,770

The Company has lease agreements for its offices across the Kingdom of Saudi Arabia. The lease tenure ranges from three to ten years, and the average incremental borrowing rate applied for computation of such liabilities was 6%. Lease terms are negotiated on aggregate basis and contain the same terms and conditions. The lease agreements do not impose any covenants. Leased assets are not being used as security for borrowing purposes.

23 EMPLOYEE BENEFIT OBLIGATIONS

The Company operates an employee benefit plan in line with the Labour Law requirements in the Kingdom of Saudi Arabia. The employee benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the employee benefit obligation are met when they fall due upon termination of employment.

The movement of the year is as follows:

	2023	2022
At 1 January	**2,242,741**	1,791,513
Charge for the year	**586,816**	468,138
Remeasurement	**207,673**	60,472
Benefits paid during the year	**(71,653)**	(77,382)
At 31 December	**2,965,577**	2,242,741

Amounts recognised in the statement of profit or loss

The amounts recognised in the statement of profit or loss related to employee benefit obligations are as follows:

	2023	2022
Current service cost	**100,923**	421,738
Interest cost	**485,893**	46,400
Total amount recognized in profit or loss	**586,816**	468,138

(Expressed in Saudi Riyals unless otherwise stated)

23 EMPLOYEE BENEFIT OBLIGATIONS (Continued)

Amounts recognized on other comprehensive income

	2023	2022
Remeasurements		
Loss due to change in financial assumptions	**(44,352)**	(266,416)
Gain due to change in demographic assumptions	**252,025**	326,888
Total amount recognized in other comprehensive income	**207,673**	60,472

Significant assumptions used in determining the post-employee benefit obligation includes the following:

	2023	2022
Discount rate	**4.78%**	4.50%
Future salary growth	**2%**	2%
Mortality rate	**AM- 92**	AM- 92
Retirement age	**60 year**	60 year

Sensitivity analysis of key actuarial assumptions:

A quantitative sensitivity analysis for discount rate and future salary growth rate assumption on the defined benefit obligation is shown below:

	2023		2022	
	%	**Saudi Riyals**	%	Saudi Riyals
Discount rate				
Increase	**1%**	**(147,899)**	1%	(118,571)
Decrease	**(1%)**	**164,961**	(1%)	132,230
Salary growth rate				
Increase	**1%**	**167,977**	1%	134,265
Decrease	**(1%)**	**(153,138)**	(1%)	(122,646)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied.

Expected maturity analysis

The weighted average duration of the defined benefit obligation is 35.28 years (2022: 35.69 years). The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	2023	2022
Less than a year	**286,836**	176,562
Between 1 - 2 years	**290,123**	209,752
Between 2 - 5 years	**1,601,985**	605,208
Over 5 years	**1,790,154**	1,993,437
Total	**3,969,098**	2,984,959

(Expressed in Saudi Riyals unless otherwise stated)

24 SHORT-TERM BORROWINGS

The Company has obtained a short-term loan facility from a local commercial bank at prevailing market rate. This loan was obtained by pledging securities of Musharaka REIT Fund with a maximum exposure of Saudi Riyals 5.5 million (2022: Saudi Riyals 4 million). Such loan will be settled during 2024.

25 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	2022
Accrued expense	**1,387,561**	3,117,891
Value added tax ("VAT") payable	**1,147,231**	553,982
Other	**114,857**	114,447
	2,649,649	3,786,320

26 ZAKAT PROVISION

a) Zakat base

The significant components of zakat base as at 31 December are as follows:

	2023	2022
Non-current assets	**55,618,184**	55,485,945
Non-current liabilities	**15,630,009**	7,567,111
Equity opening	**80,908,741**	77,167,992
Profit for the year before zakat	**9,606,458**	16,751,221

Some of these amounts have been amended in calculating the zakat charge for the year.

Zakat for the year is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to Saudi shareholders.

b) Provision for zakat

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

	2023	2022
At 1 January	**1,329,353**	1,000,546
Charge for the year	**1,100,000**	1,250,000
Paid during the year	**(1,097,744)**	(921,193)
At 31 December	**1,331,609**	1,329,353

26 ZAKAT PROVISION (continued)

c) Status of zakat certificates and assessments

The Company has filed its zakat returns and obtained zakat certificates for the years through 2022.

For 2015 to 2017:

The Company received zakat assessments for the years from 2015 to 2017, with a total additional zakat liability amounting to Saudi Riyals 2.4 million. The Company had submitted certain appeals against such assessment with different committees under the General Secretariat of the Tax Committees ("GSTC") of ZATCA. As at the reporting date, the Company's appeal is under consideration by the Appeal Committee for Tax Violations and Disputes ("ACTVD"). The management believes that the outcome of such revised appeal filed with the ACTVD, based on the relevant provisions of the ZATCA regulations, will be in favour of the Company and has not recognized any additional provisions in the books of accounts.

For 2019:

The Company received zakat assessments for the for the year 2019 with a total additional zakat liability amounting to Saudi Riyals 1.1 million. During 2021, the ZATCA revised its assessment and reduced the amount of additional zakat liability to Saudi Riyals 0.8 million.

During 2023, the Company agreed to a settlement with ZATCA at an amount of Saudi Riyals 0.1 million. Based on the advice of the zakat consultant the Company has adjusted such amount against the zakat refundable balance.

For 2020 and 2021:

During 2023, the Company has received zakat assessments for the years 2020 and 2021 with a total additional zakat liability amounting to Saudi Riyals 0.9 million. The Company filed appeals whereby, ZATCA reviewed such appeals and issued a revised assessment and reduced the additional zakat liability to Saudi Riyals 0.18 million. The Company has agreed to such revised assessment and paid the amount during the year, recognizing the related expense during the year.

No additional assessments were raised by the ZATCA.

(Expressed in Saudi Riyals unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated and affiliated companies and their shareholders, board of directors, and entities controlled, jointly controlled or significantly influenced by such parties.

Transactions with related parties for the year ended 2023 and 2022 are described as follows:

Related Party	**Relationship**	**Nature of transaction**	**2023**	2022
La Perla Fund II	Managed Fund	Arranging and performance fee	**6,858,308**	14,123,754
Musharaka Saudi Equity Fund	Managed Fund	Management fee	**132,125**	145,400
Musharaka Murabahat and Sukuk Fund	Managed Fund	Management fee	**45,188**	63,769
Arsh Real Estate Fund	Managed Fund	Management fee	**-**	205,050
Musharaka REIT Fund	Associate	Management fee	**18,982,165**	19,280,448
Al khoyool Al-Arabia residential fund	Managed Fund	Management fee	**2,315,117**	975,257
Al-Majediah Real Estate First Fund	Managed Fund	Management fee	**568,091**	65,897
Al Majediah residence Fund	Managed Fund	Management, structure and arranging fee	**1,954,329**	616,755
Musharka Safa Fund	Managed Fund	Management and arranging fee	**1,914,936**	-
Musharaka Margin Financing Fund	Managed Fund	Management fee	**24,253**	-
Alkhayala Ellite Complex	Managed Fund	Management, structure and arranging fee	**2,122,880**	-
Ramz Tharwah Real Estate Fund	Managed Fund	Management fee	**755,574**	-
Al-Majediah Offices Tower	Managed Fund	Management and structure fee	**404,657**	-
Darco Signature	Managed Fund	Structure fee	**500,000**	-
Itqan Capital Comapny	Managed Fund	Custody fee	**153,089**	-
Adeer Real Estate Company	Affiliate	Advisory fee	**-**	51,750
Sumou Holding Company	Affiliate	Lease paid	**(1,524,600)**	(1,570,470)

Due from related parties:

	2023	2022
Musharaka REIT Fund	**11,239,509**	7,466,719
Al-Majediah Residence Al-Khobar Fund	**2,156,644**	-
La Perla II Fund	**1,152,170**	1,150,000
Al khoyool Al-Arabia residential fund	**725,283**	411,126
Signature Darco Real Estate Fund	**575,000**	-
Musharaka Safa Fund	**416,988**	-
Ramz Tharwah Real Estate Fund	**293,910**	-
Alkhayalah Elite Complex Fund	**106,106**	-
Al-Majediah Real Estate First Fund	**46,010**	390,065
Musharaka Margin Financing Fund	**27,891**	-
Musharaka Saudi Equity Fund	**20,512**	48,284
Musharaka Murabahat and Sukuk Fund	**9,289**	21,874
	16,769,312	9,488,068

(Expressed in Saudi Riyals unless otherwise stated)

27 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel compensation

Key management personnel of the Company comprises the key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2023	2022
Short-term employee benefits	**3,621,394**	3,895,908
Employee benefit obligations	**3,965,087**	1,617,759
	7,586,481	5,513,667

During 2023, The Company has been approved the bonus for board members and key members of management amounting to Saudi Riyals 1.2 million (2022: Saudi Riyals 0.62 million).

28 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and controls financial risks in close co-operation with the Company's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, investments, borrowings, accounts payable and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value and cash flow Interest rate risk (continued)

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from its borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates. The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

If Saudi Interbank Offered Rate ("SIBOR") had been 1% higher or lower with all other variables held constant, the impact on the equity and profit before zakat for the year ended 31 December 2023 would have been immaterial.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars (which is pegged with Saudi Riyals). The Company's management believes that the impact of any fluctuations is immaterial.

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	2023	2022
Financial assets		
Investments carried at fair value through profit or loss	**29,538,282**	19,663,595
Account receivables	**18,155,793**	10,518,165
Other receivables	**967,159**	433,084
Cash and cash equivalents (excluding cash in hand)	**1,584,090**	9,931,250
	50,245,324	40,546,094

Provisioning policy

The Company allocates each exposure to a credit risk grade-based credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

The loss allowance is measured on lifetime ECLs: ECLs result from all possible default events over the expected life of a financial instrument.

(Expressed in Saudi Riyals unless otherwise stated)

28 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an 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 through committed credit facilities to meet any future commitments.

		Contractual cash flows		
2023	**Carrying amount**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Non-derivative financial liabilities				
Long-term loan	**10,338,062**	**1,000,000**	**9,000,000**	-
Short-term loan	**3,000,000**	**3,000,000**	**-**	-
Other liabilities	**2,649,649**	**2,649,649**	**-**	
Lease liabilities	**4,752,616**	**1,088,184**	**3,664,432**	-
	20,740,327	**7,737,833**	**12,664,432**	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

		Contractual cash flows		
2022	**Carrying amount**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Non-derivative financial liabilities				
Short-term loan	3,000,000	3,000,000	-	-
Other liabilities	3,786,320	3,786,320	-	-
Lease liabilities	6,241,770	917,400	5,324,370	-
	13,028,090	7,703,720	5,324,370	-

Capital risk management

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities

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.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Company measures instruments quoted in an active market at a market price, because this price reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Company recognizes transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

Level 1 - quoted (unadjusted) market price 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; and
Level 3 - valuation techniques for which the lowest level input that us significant to the fair value measurement is unobservable.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(Expressed in Saudi Riyals unless otherwise stated)

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

	As at 31 December 2023						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments at fair value through profit or loss	**29,538,282**	-	**29,538,282**	**2,732,824**	**26,805,458**	-	**29,538,282**
Accounts receivable	-	**18,155,793**	**18,155,793**	-	-	-	-
Other receivables	-	**967,159**	**967,159**	-	-	-	-
Cash at banks	-	**1,584,090**	**1,584,090**	-	-	-	-
	29,538,282	**20,707,042**	**50,245,324**	**2,732,824**	**26,805,458**	-	**29,538,282**
Financial liabilities							
Long-term borrowings	-	**10,338,062**	**10,338,062**	-	-	-	-
Short-term borrowings	-	**3,000,000**	**3,000,000**	-	-	-	-
Accrued expenses and other liabilities	-	**2,649,649**	**2,649,649**	-	-	-	-
Lease liabilities	-	**4,752,616**	**4,752,616**	-	-	-	-
	-	**20,740,327**	**20,740,327**	-	-	-	-

	As at 31 December 2022						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments at fair value through profit or loss	19,663,595	-	19,663,595	9,764,065	9,899,530	-	19,663,595
Accounts receivable	-	10,518,165	10,518,165	-	-	-	-
Other receivables	-	433,084	433,084	-	-	-	-
Cash at banks	-	9,931,250	9,931,250	-	-	-	-
	19,663,595	20,882,499	40,546,094	9,764,065	9,899,530	-	19,663,595
Financial liabilities							
Borrowings	-	3,000,000	3,000,000	-	-	-	-
Accrued expenses and other liabilities	-	3,786,320	3,786,320	-	-	-	-
Lease liabilities		6,241,770	6,241,770	-	-	-	-
	-	13,028,090	13,028,090	-	-	-	-

28 FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

Measurement of fair values

The valuation of public traded investment classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. The fair value of level 2 fixed-income investment and funds are taken from reliable and third-party sources. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows.

Cash and cash equivalents, receivables from related parties and the financial labilities except employee benefit obligations are measured at amortised cost.

29 ASSETS UNDER MANAGEMENT

Assets under management outstanding at the end of the year in respect of mutual funds amounted to Saudi Riyals 2,516 million (2022: Saudi Riyals 1,892 million). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

30 CONTINGENCIES AND COMMITMENTS

At 31 December 2023, the Company has no significant commitments. See Note 25 for zakat assessments.

31 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 18 Ramadan 1445H (corresponding to 28 March 2024).