

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**Consolidated Financial Statements**  
**For the Year Ended 31 December 2023**  
**Together with the Independent Auditor's Report**

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENT**  
**For the year ended 31 December 2023**  
**Together with the Independent Auditor's Report**

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**PKF**Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDDLE EAST FINANCIAL INVESTMENT COMPANY  
[CLOSED JOINT STOCK COMPANY]  
RIYADH, KINGDOM OF SAUDI ARABIA

(1 /3)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### OPINION

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

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

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

#### BASIS FOR OPINION

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations or has no realistic alternative but to do so.

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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDDLE EAST FINANCIAL INVESTMENT COMPANY  
[CLOSED JOINT STOCK COMPANY]  
RIYADH, KINGDOM OF SAUDI ARABIA

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### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risk of material misstatement of the consolidated 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;

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Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDDLE EAST FINANCIAL INVESTMENT COMPANY  
[CLOSED JOINT STOCK COMPANY]  
RIYADH, KINGDOM OF SAUDI ARABIA

(3 /3)

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

- 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 Group's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible for our audit opinion

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

For Al-Bassam & Co.



Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 20 Ramadhan 1445H  
Corresponding to: 30 March 2024

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**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2023**  
**(Amounts in Saudi Arabian Riyals)**

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Investments carried at FVTPL	5	248,619,574	252,938,004
Investment Property	6	11,200,000	-
Property and equipment, net	9	3,167,408	3,932,262
Building under construction, net	11	74,403,529	60,493,583
Intangible assets, net	10	924,614	1,375,195
Right-of-use assets	13	32,465,300	31,824,630
Deferred tax asset	12	467,131	479,941
<b>Total Non-Current Assets</b>		<b>371,247,556</b>	<b>351,043,615</b>
<b>Current assets</b>			
Cash and cash equivalents	4	30,660,780	4,162,594
Accrued income and other assets, net	8	66,493,297	72,733,818
Due from related parties, net	7	20,933,524	29,333,524
<b>Total Current Assets</b>		<b>118,087,601</b>	<b>106,229,936</b>
<b>TOTAL ASSETS</b>		<b>489,335,157</b>	<b>457,273,551</b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b><u>SHAREHOLDER'S EQUITY</u></b>			
Share capital	18	300,000,000	300,000,000
Statutory reserve	19	18,355,572	17,099,475
Retained earnings / (Accumulated losses)		30,588,963	20,236,954
Fair value reserve		-	(11,902,006)
General reserve		24,210,020	24,210,020
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>373,154,555</b>	<b>349,644,443</b>
<b><u>LIABILITIES</u></b>			
<b>Non-Current Liabilities</b>			
Employee benefit obligations	17	5,913,537	5,335,151
Lease liability – non-current portion	13	32,905,693	30,831,280
<b>Total Current non-Liabilities</b>		<b>38,819,230</b>	<b>36,166,431</b>
<b>Current Liabilities</b>			
Lease Liability - current portion	13	3,328,478	3,957,717
Accrued expenses and other current liabilities	15	15,042,038	9,246,955
Islamic facility	14	20,150,454	20,112,985
Zakat and income tax provision	16	38,840,402	38,145,020
<b>Total Current Liabilities</b>		<b>77,361,372</b>	<b>71,462,677</b>
<b>Total Liabilities</b>		<b>116,180,602</b>	<b>107,629,108</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>489,335,157</b>	<b>457,273,551</b>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the year ended 31 December 2023**  
**(Amounts in Saudi Arabian Riyals)**

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b><u>INCOME</u></b>			
Asset management, subscription and advisory fees	<b>20</b>	33,296,913	32,978,863
Realized gain from investments carried at FVTPL		657,931	8,206,004
Unrealized gain from investments carried at FVTPL	<b>5</b>	25,623,597	36,563,744
Rental income from property		816,000	
Dividends income		-	2,173,892
<b>Total Income</b>		<b>60,394,441</b>	<b>79,922,503</b>
<b><u>EXPENSES</u></b>			
Salaries and employee-related expenses		(23,470,062)	(15,933,983)
Depreciation of property, plant and equipment	<b>9</b>	(764,470)	(579,543)
Amortization of intangible assets	<b>10</b>	(450,581)	(488,437)
Impairment of building under construction	<b>11</b>	-	(3,800,000)
Expected credit loss expenses	<b>8</b>	(987,064)	(4,318,436)
Reversal of Expected credit loss expenses	<b>8</b>	3,603,238	3,655,848
Depreciation of right of use asset	<b>13</b>	(2,503,999)	(2,474,273)
Rent expenses		-	(430,181)
Finance cost on lease liabilities	<b>13</b>	(2,258,222)	(1,409,045)
Finance cost on Islamic facilities	<b>14</b>	(3,238,033)	(948,107)
Other general and administrative expenses	<b>21</b>	(17,066,527)	(28,340,427)
<b>Total expenses</b>		<b>(47,135,720)</b>	<b>(55,066,584)</b>
Other income		2,030,501	292,845
<b>Income before Zakat</b>		<b>15,289,222</b>	<b>25,148,764</b>
Zakat and income tax	<b>16</b>	(2,715,442)	(2,843,711)
Deferred tax (expenses) / income	<b>12</b>	(12,810)	77,914
<b>Net income for the year</b>		<b>12,560,970</b>	<b>22,382,967</b>
<b>Basic and diluted earnings per share</b>	<b>22</b>	<b>0.42</b>	<b>0.75</b>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT COMPREHENSIVE INCOME**  
**For the year ended 31 December 2023**  
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Net income for the year</b>		12,560,970	22,382,967
<b>Items that will not be reclassified to statement of income in subsequent years:</b>			
- Net change on re-measurement on investments of fair value at other comprehensive income (FVTOCI)	<b>6</b>	11,200,000	-
- Net change on re-measurement of employees' post-employment benefits	<b>17</b>	(250,858)	92,284
<b>Other comprehensive income for the year</b>		10,949,142	92,284
<b>Total comprehensive income for the year</b>		<b>23,510,112</b>	<b>22,475,251</b>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.



**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
For the year ended 31 December 2023  
(Amounts in Saudi Arabian Riyals)

	<b>Capital</b>	<b>Statutory Reserve</b>	<b>Fair value reserve</b>	<b>Retained earnings / (Accumulated losses)</b>	<b>General reserve</b>	<b>Total</b>
<b>Balance at 1 January 2022</b>	400,000,000	14,861,178	(11,902,006)	(75,789,980)	-	<b>327,169,192</b>
Net income for the year	-	-	-	22,382,967	-	<b>22,382,967</b>
Other comprehensive income for the year	-	-	-	92,284	-	<b>92,284</b>
<b>Total comprehensive income for the year</b>	-	-	-	22,475,251	-	<b>22,475,251</b>
Capital reduction	(100,000,000)	-	-	75,789,980	24,210,020	-
Transfer to statutory reserve	-	2,238,297	-	(2,238,297)	-	-
<b>Balance as at 31 December 2022</b>	<b>300,000,000</b>	<b>17,099,475</b>	<b>(11,902,006)</b>	<b>20,236,954</b>	<b>24,210,020</b>	<b>349,644,443</b>
<b>Balance at 1 January 2023</b>	300,000,000	17,099,475	(11,902,006)	20,236,954	24,210,020	<b>349,644,443</b>
Net income for the year	-	-	-	12,560,970	-	<b>12,560,970</b>
Other comprehensive income for the year	-	-	11,902,006	(952,864)	-	<b>10,949,142</b>
<b>Total comprehensive income for the year</b>	-	-	11,902,006	11,608,106	-	<b>23,510,112</b>
Transfer to statutory reserve	-	1,256,097	-	(1,256,097)	-	-
<b>Balance as at 31 December 2023</b>	<b>300,000,000</b>	<b>18,355,572</b>	-	<b>30,588,963</b>	<b>24,210,020</b>	<b>373,154,555</b>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2023  
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		12,560,970	22,382,967
<b>Adjustments for:</b>			
Depreciation property, plant and equipment	9	764,470	579,543
Amortization of intangible assets	10	450,581	488,437
Depreciation of right of use assets	13	2,503,999	2,474,273
Gains from property and equipment's disposal	9	(297,366)	-
Financing cost	13	2,258,222	1,409,045
Reversal of expected credit loss expenses	8	(3,603,238)	(3,655,848)
Expected credit loss expenses	8	987,064	4,318,436
Unrealized profit from investments at fair value through profit or loss, net	5	(25,623,597)	(36,563,744)
Realized profit on sale of investment at fair value through profit or loss, net	5	(657,931)	(8,206,004)
Impairment of building under construction	11	-	3,800,000
Employee benefits obligations	17	833,966	643,896
Zakat and Income tax expenses	16	2,715,442	2,843,711
Deferred tax Income	12	12,810	(77,914)
		<b>(7,094,608)</b>	<b>(9,563,202)</b>
<b>Changes in operating assets and liabilities:</b>			
Due from related parties	7	8,400,000	(29,733,550)
Accrued income and other assets	8	8,856,695	(33,681,757)
Accrued expenses and other liabilities	15	5,795,083	3,594,956
Lease liabilities		-	-
<b>Net Cash from Operations</b>		<b>15,957,170</b>	<b>(69,383,553)</b>
Employee benefits paid	17	(506,438)	(145,144)
Zakat and income taxes paid	16	(2,020,060)	(1,420,760)
<b>Net cash used in operating activities</b>		<b>13,430,672</b>	<b>(70,949,457)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9	(2,250)	(630,249)
Addition to building under construction	11	(13,909,946)	(1,842,149)
Proceeds from disposal of property and equipment		300,000	-
Purchase of investments carried at FVTPL	5	(33,543,190)	(25,942,738)
Proceeds from sale of investments carried at FVTPL	5	64,143,147	72,064,236
<b>Net cash used in investing activities</b>		<b>16,987,761</b>	<b>43,649,101</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short term borrowing	14	37,469	15,823,258
Lease payments	13	(3,957,716)	(2,481,016)
<b>Net cash generated from financing activities</b>		<b>(3,920,247)</b>	<b>13,342,243</b>
<b>Net change in cash and cash equivalents</b>		<b>26,498,186</b>	<b>(13,958,114)</b>
Cash and cash equivalents at the beginning of the year	4	4,162,594	18,120,708
<b>Cash and cash equivalents at the end of the year</b>		<b>30,660,780</b>	<b>4,162,594</b>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.

**Middle East Financial Investment Company**

**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

*(Amounts in Saudi Arabian Riyals)*

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**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Middle East Financial Investment Group (the “Company”) is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No.1010237038 issued in Riyadh on 20 Sha’ban 1428H. (corresponding to 15 August 2007) and unified number 70001528970, and Ministerial Resolution No.200/K dated 30 Rabab 1428H. (corresponding to 13 August 2007) announcing the formation of the Company.

The objectives of the Company is to participate in financial security activities, and as an underwriter, perform management activities to establish and arrange investment funds, manage portfolios, perform arranging, advisory and custody services for the purpose of the administrative procedures related to the investment funds and portfolio management in accordance with the license of the Capital Market Authority (“CMA”) No.06029-37 dated 21 Jumada II 1427H. (corresponding to 17 July 2007G.).

**Subsidiary:**

The Company’s subsidiary, JESER Real Estate Development Group (“JESER”) is a Saudi Limited Liability Company, which is owned 100% by the Company , obtained Commercial Registration No. 1010314245 issued in the city of Riyadh on Ramadan 10, 1432, corresponding to August 10, 2011 , The objectives of the subsidiary are to purchase land for construction of buildings for the purpose of sale or lease; in addition, manage, maintain, develop, buy and own, sell and purchase, and utilize real estate and land for the benefit of the Company. The subsidiary is also permitted to invest in other entities, which engage in similar real estate activities. Although not legally owned by the Company, the other minority shareholder has assigned his share of investment to the benefit of the Company.

The Company and Subsidiary constitute the “Group”.

**2. BASIS OF PREPARATION**

**2-1 Statement of compliance**

These consolidated financial statements have been prepared in accordance with 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**

The consolidated financial statements have been prepared on a historical cost method except the investments carried at fair value and employees’ end of service benefits are carried at the present value of future obligations using the projected credit unit.

**2-3 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals, which is the Group's functional currency.

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

*(Amounts in Saudi Arabian Riyals)*

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**2. BASIS OF PREPARATION (CONTINUED)**

**2-4 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at and for the year ended December 31, 2023 (note 1). Although the Group is investment entity this financial statement are consolidated with the subsidiary since the main purpose and activity of the subsidiary is providing service to the company's investment activity, Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent Group and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

**2. BASIS OF PREPARATION (CONTINUED)**

**2-5 New standards, amendments to standards, and interpretations**

**Amendments**

The following amendments to the Company's relevant standards are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has adopted these standards and/or amendments, however, they have no material impact on the financial statements:

**A) New amendments to standards issued and applied effective as of 2023**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 9 (Amendments to IFRS 4)	Extension of temporary exemption from application of IFRS 9 (IFRS 4 Amendments)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instrument, so that entities are required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance contracts and their amendments	January 1, 2023	This is a new, comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. When effective, IFRS 17 (together with its subsequent amendments) will replace IFRS 4 Insurance Contracts issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with helping entities determine the accounting policies that must be disclosed in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments to the definition of accounting estimates help entities distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of taxable and deductible temporary differences.
IAS 12	International tax reform (Pillar II model rules)	January 1, 2023	These amendments give companies a temporary exemption from deferred tax accounting arising from the Organization for Economic Co-operation and Development (OECD) international tax reform. The amendments also introduce specific disclosure requirements for affected companies.

**2. BASIS OF PREPARATION (CONTINUED)**

**2. BASIS OF PREPARATION (CONTINUED)**

**2-5 New standards, amendments to standards, and interpretations (Continued)**

**B) New standards, amendments, and revised IFRS issued but not yet effective**

The Group has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IAS 1	Classifying liabilities into current or non-current	January 1, 2024	The amendment clarified what is meant by the right to defer settlement, that the right to defer must exist at the end of the reporting period, and that this classification is not affected by the possibility of the entity exercising its deferral right, only if the derivative embedded in a convertible obligation is itself a rights instrument. Ownership, and the terms of the commitment will not affect its classification.
IFRS 16	Leases for sale and leaseback	January 1, 2024	These amendments incorporate the requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments not based on an index or rate are more likely to be affected.
IAS 7 and IFRS 7	Supplier financing arrangements	January 1, 2024	These amendments require the addition of disclosure requirements to enhance the transparency of supplier financing arrangements, and “guidance signals” within existing disclosure requirements require entities to provide qualitative and quantitative information about supplier financing arrangements.
IAS 21	Difficulty converting	January 1, 2024	The amendments contain guidelines for determining when a currency is convertible and how to determine the exchange rate when it is not.

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

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Group has consistently applied the following accounting policies to all periods presented in the these financial statements, except if mentioned otherwise. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances, the following is a summary of assumptions and estimates applied by the group.

#### **Estimates**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

The following is information about assumptions and estimates that have a material impact on the amounts reported in the consolidated financial statements:

#### **Judgements**

##### **Going concern**

The management has evaluated the ability of the Group to continue as a going concern and believes the Group has sufficient resources to continue its business in the near future the management is not aware of any material uncertainties that may cast doubt on the Group's ability to continue as a going concern. The Company also has the sufficient liquidity in place, please refer liquidity risk note 26 C.

##### **Investment entity, determination of control, and consolidation of financial statements**

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investors with investment management services; (b) commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

According to the exception in "IFRS 10 Consolidated Financial Statements" for investment entities, an investment entity shall not consolidate its subsidiaries or apply IFRS 3 when it obtains control of another entity. Instead, an investment entity shall measure an investment in a subsidiary at fair value through profit or loss. The Group is also a fund manager for a number of investment funds. When determining whether the Group controls these investment funds, the Group usually focuses on the Group 's overall economic interests in the fund (which are expected management fee and any other gains). As the investor has the right to remove the fund manager, therefore, the Group concluded that it acts as an investor agent in all cases and did not consolidate these Funds in the financial statements.

#### **Use of Estimates :**

##### **Estimate useful lives of property, plant and equipment, and intangible assets**

Management reviews the useful lives of property, plant and equipment to calculate depreciation and amortization. These estimates are determined after taking into account the expected use of assets, obsolescence and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods, if any.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates (Continued)**

**Impairment of Non-Financial Assets**

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

**Impairment of Financial Assets**

The Group recognizes allowances for expected credit losses ("ECL") for financial assets. Provision rates are originally determined on the basis of historical observed default rates. The Group evaluates historical information to adjust the historical credit loss calculation with information that indicates expected rates in the future. At each reporting date, historical observed default rates are updated and changes in forward-looking estimates are analysed. An assessment of the correlation between historical observed default rates, expected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions. Also, the calculation of the Group's historical losses and expected economic conditions may not represent the client's actual default in the future. Information about expected credit losses on the Group's financial assets has been disclosed.

**Determining the lease term for contracts with the option of renewal and termination-the Group as a lessee**

The Group defines the term of the lease as the non-cancellable term in relation to the contract, with any periods including the option to extend the contract if the Group is certain to exercise the option to extend, or any periods including the option to terminate the lease if the Group is certain it will not exercise the option to terminate the contract reasonably. Generally, the Group has several lease contracts that include extension and termination options. The Group applies the judgments in assessing whether or not it has reasonable certainty that it will exercise the option to renew or terminate. Therefore, it takes into account all relevant factors that create an economic incentive to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term and whether there is a material event or change in circumstances within its control that affects its ability to exercise (or not exercise) the option to renew or terminate.

**Leases - estimate the incremental borrowing rate**

The Group cannot easily determine the commission rate implicit in leases and therefore uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the rate of commission that a Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, over a similar period and with a similar security. The incremental borrowing rate therefore reflects the amount the Group may have to pay which requires estimation when there are no rates observable is available, or when it needs to be adjusted to reflect the terms and conditions of the lease, the Group estimates the incremental borrowing rate using observable inputs (such as market profit margin rates) when available and entity-specific estimates should be made



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates (Continued)**

**Benefits and defined benefit plans (employee benefits)**

Post-employment defined benefits and the current value of those benefits are determined actuarial valuations. Actuarial valuation include further assumptions regarding variables are required such as discount rates, rate of salary increase and return on assets, mortality rates, increase in future pensions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All actuarial assumptions are reviewed at the date of every consolidated statement of financial position.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

An entity shall measure the fair value of an asset or a liability 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 use the asset in its highest and best use.

The Group 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.

For reporting, determining fair value of assets and liabilities, and disclosure purposes, the Group uses the following hierarchy:

**Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has access to at the measurement date.

**Level 2:** Inputs other than the prices displayed within the first level that can be observed for the assets or liabilities, directly or indirectly, such as the fair value shown in the financial statements of the funds.

**Level 3:** unobservable inputs for assets and liabilities, and the Group relies on proving the investments at cost.

**Classification of assets and liabilities from "current" to "non-current"**

**The following is a summary of the estimates applied by the group:**

The Group presents assets and liabilities in the statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or
- When they are cash and cash equivalents, unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.

All other assets are classified as "non-current".

All liabilities are current as follows:

- When it is expected to be paid during the normal business cycle
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current"

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Financial instruments**

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. 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.

#### **Financial assets**

The Group determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

##### **A) Classification**

The financial assets are classified in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortized cost.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

##### **B) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss as incurred.

#### **Debt instruments**

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies debt instruments at amortized cost based on the below:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and commission on the principal outstanding.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). Employee and other related party loans are carried at amortized cost.

#### **Definition of default**

In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents the default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of profit or loss. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments (Continued)**

**Equity instruments**

If the Group elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognized in the profit or loss as other income when the Groups' right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognized in other gain/(losses) in the statement of profit or loss as applicable.

**Second: Financial liabilities**

Financial liabilities (including loans and accounts payable) are measured subsequently at mortised cost using the effective interest method.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of disposed financial liabilities and amount paid is charged to the consolidated statement of profit or loss.

**Effective interest rate method**

The effective interest method is an accounting practice used for calculating the amortized cost of a debt instrument and for distributing interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (Including all fees and points paid or received, which form an integral part of the effective interest rate, transaction costs, installments or other discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**Cash and cash equivalent**

Cash and bank balances comprise cash on hand, bank balances, and bank Murabaha that can be converted into cash with original maturity of three months or less from the acquisition date.

**Related parties**

Related party is the person or entity associated with the Group that prepares its financial statements.

**A) If the person or a member of his family is closely related to the Group whose financial statements are prepared:**

- Has joint control or control over the Group preparing its financial statements;
- It has a material impact on the Group preparing its financial statements. Or
- He is a member of the top management of the Group whose financial statements are prepared or the parent Group of the Group that prepares its financial statements.

**B) If the facility is related to the Group that prepares its financial statements if any of the following conditions are fulfilled:**

- The establishment and the Group that prepares its consolidated financial statements are members of the same Group (which means that both the parent Group, subsidiaries and associates have a relationship with the other).
- One of the two companies is an associate or a joint venture of the other Group (or an associate or a joint venture of a member of the Group of which the other Group is a member).
- Both companies are joint ventures of the same third party.
- One of the two companies is a joint venture of a third Group and the other Group is an associate of the third Group.
- The Group is jointly controlled or controlled by a person specified in Paragraph (a).
- The person identified in paragraph (a) (1) has a material influence on the Group or is a member of the top management in the Group (or the parent company).
- The Group or any member of the Group provides part of the services of senior management employees of the Group that prepares its consolidated financial statements or to the parent Group of the Group that prepares its financial statements.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciations. Expenditures on maintenance and repairs are expensed, while expenditures for improvements are capitalized. Depreciation is computed using the straight line method based on the estimated useful lives of the assets. Lands are not depreciated. Leasehold improvements are being amortized on the straight-line basis over the shorter of useful life or lease period. Sold or disposed asset and its accumulated depreciation are written-off at the date of sale or disposal.

The annual estimated rates of depreciation of the principal classes of assets are as follows:

<b>Item</b>	<b>Annual depreciation rate</b>
Leasehold improvement	14% or lease period (whichever is less)
Furniture and fixture	20%
Office equipment	20%
IT equipment	25%
Telecom networking equipment	25%
Vehicle	20%

**Intangible assets**

Purchased intangible assets are recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over its estimated useful life which is five years using the straight-line method. If there is an indication of a significant change in the useful life or residual value of these assets, the impairment is adjusted to reflect new projections.

The annual amortization rates for the Intangible assets is 14%.

**Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately as expenses in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately as revenue in profit or loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investment Evaluation**

The Group invests in various securities, including shares traded, open-ended funds and other investment funds, including real estate funds. Traded shares are evaluated based on market prevailing prices, while open-ended investment funds are valued based on the net value of the fund's assets, which are periodically published in the stock market. For real estate funds, investments are based on net value of the fund's adjusted assets to assess the real estate assets involved. Investments in subsidiaries are usually valued based on the final evaluation of the investee Group if the subsidiary was established solely to make those investments. In the case of other non-traded investments, the management uses a variety of methods including the market method (i.e. using latest transactions carried out based fair terms, amended when necessary, and based on current market value of similar instruments), Income method (i.e. discounted cash flow analysis, comparable Group multiples and options pricing options using available and supported market comparisons in a reasonable and reasonable way). Currently, these investments consist of some dormant subsidiaries which are valued based on their net asset value. The foregoing requires significant estimates and assumptions to be used by management.

#### **Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

#### **Managed assets**

The Group provides asset management services. These assets are not treated as assets of the Group and accordingly are not included in the financial statements.

#### **Clients' money**

Clients' money are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

#### **Lessee**

##### **a) Group as a lessee**

The Group establishes the asset (right of use) and lease liability on the start date of the lease contract. The asset (right of use) is initially measured at the cost that consists of the initial amount of the modified lease obligation for any lease payments made on or before the start date. (right to use) or the end of the lease term, whichever is earlier. The estimated useful lives of (right-of-use) assets are determined on the same basis used for property and equipment. In addition, the asset (right to use) is periodically reduced by impairment losses, if any.

The lease commitment is initially measured at the present value of lease payments that were not paid at the commencement date of the lease and discounted using the interest rate implicit in the lease agreement or if that rate is difficult to determine reliably, the Group uses the additional borrowing rate.

#### **Short-term and low-value leases**

The Group has chosen not to prove the assets (right to use) and lease obligations for short-term leases of 12 months or less and low-value lease contracts, the Group recognizes the lease payments associated with these contracts as expenses in the statement of profit or loss on a straight-line basis over a period. lease.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Employees' defined benefit obligations**

##### **End of service indemnities**

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur and are not charged to the consolidated statement of profit or loss.

##### **Retirement benefits**

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. These payments are expensed when incurred.

##### **Short-term employee benefits**

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

Liabilities recognized in respect of short-term employee benefits are measured at the un-discounted amount of the benefits expected to be paid in exchange for the related service.

##### **Accounts payable and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or service received, whether billed or not by suppliers.

##### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

##### **Offset**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group 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 settle the liability simultaneously.

##### **Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Zakat and corporate income tax**

The Group's Saudi and GCC shareholders are subject to Zakat in accordance with the Regulations of the Authority of Zakat, Tax and Customs Authority (ZATCA) as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of zakat arising there from is provided as a charge in the profit or loss.

The Group's foreign shareholders are subject to corporate income tax in accordance with Regulations of "ZATCA" as applicable in the Kingdom of Saudi Arabia. Corporate income tax is computed on adjusted net income. An estimate of corporate income tax arising thereof is provided as a charge in the consolidated statement of profit or loss.

Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**Deferred Taxes**

Deferred income taxes are recognized on all major temporary differences between carrying value and tax bases and are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses can be utilized. Deferred income taxes are determined using tax rates which have been enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

**Revenue recognition**

The Group realizes revenue under IFRS 15 using the following five-step model:

Step 1 : Determine the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the conditions that must be met for each contract.
Step.2 : Determine Performance Obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3 : Determine the transaction price	The transaction price is the amount of consideration that the Group expects to receive in exchange for transferring the goods or services promised to the customer, excluding amounts collected on behalf of third parties.
Step 4 : Allocate the transaction price	For a contract that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that identifies the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation
Step 5 : Revenue recognition	A Group recognizes revenue when (or whenever) it has satisfied a performance obligation by transferring goods or services promised to the customer under the contract.

For performance obligations where one of the above conditions is not met, revenue is recognized at the time the performance obligation is satisfied. When a Group satisfies a performance obligation by providing the promised services, it creates a contract-based asset with the value of the consideration earned from performance. If the amount billed to the customer exceeds the amount of revenue recognized, a contract liability will arise. Revenue is measured at the fair value of the consideration received or receivable after taking into account specific contractual payment terms.

### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue recognition (continued)**

The recognition criteria set out below must also be met before revenue can be recognised:

#### **Asset Management Activities Income**

Management fees for mutual funds and private portfolios are recognized as revenue in proportion to the provision of services, based on the effective service contracts. These management fees are included net of discounts and are generally calculated as a percentage of the net assets of the respective funds. The subscription fee is recognized upon subscription.

Performance fees are included net of discounts and are calculated as a percentage of the consideration in the fund's net asset value (NAV) above a specified threshold. Performance fees are earned from some arrangements when contractually agreed levels of performance are exceeded during specified performance measurement periods, usually over one year. Fees are recognized when they can be reliably estimated and/or concentrated.

#### **Fund subscription fees**

The obligation to pay the subscription fee represents an assignment of certain units in the funds to the account of the investor, bearing in mind that this happens as soon as the approved subscription model is implemented, and therefore the Group is rightfully aware of the revenue in exchange for the subscription fee at the time of fulfillment of the performance obligation.

#### **Dividends income**

Dividends are recognized when the right to receive them is established.

#### **Other income**

Other income is recorded when earned.

#### **Expenses**

All expenses not directly related to making profits are classified as general and administrative expenses, except for employees' salaries and benefits, which are presented separately.



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**4. CASH AND CASH EQUIVALENTS**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash in hand	15,000	15,000
Cash at bank – current accounts	30,645,780	4,147,594
<b>Total</b>	<b>30,660,780</b>	<b>4,162,594</b>

**5. INVESTMENTS CARRIED AT FVTPL**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Investment funds – close ended	248,619,574	252,938,004
Investment funds – open ended	-	-
Discretionary portfolio	-	-
<b>Total</b>	<b>248,619,574</b>	<b>252,938,004</b>

**a) Investment Funds – close ended:**

<b>As at 31 December 2023</b>	<b>2022</b>	<b>Additions/ (disposal)</b>	<b>Revaluation gain / (loss)</b>	<b>2023</b>
MEFIC Private Equity Opportunity Fund	83,005,834	-	16,411,104	99,416,938
MEFIC Private Equity Opportunity Fund 5	74,863,870	-	14,366,766	89,230,636
MEFIC PORTO Development Fund	12,041,246	16,839,810	2,563,588	31,444,644
MEFIC Private Equity Opportunity F&B	27,796,657	(3,792,773)	(8,499,047)	15,504,837
MEFIC Private Equity Opportunity Fund 6	6,781,901	-	305,389	7,087,290
MEFIC Private Equity Opportunity Fund 2	5,747,262	(2,018,690)	371,301	4,099,873
MEFIC Private Equity Opportunity Fund 3	1,730,860	-	104,496	1,835,356
MEFIC Tower Fund	40,043,269	(40,043,269)	-	-
Riyadh City Logistics Fund	927,105	(927,105)	-	-
	<b>252,938,004</b>	<b>(29,942,027)</b>	<b>25,623,597</b>	<b>248,619,574</b>

<b>As at 31 December 2022</b>	<b>2021</b>	<b>Additions / (disposal)</b>	<b>Revaluation gain / (loss)</b>	<b>2022</b>
Riyadh Logistics City Fund	-	1,000,000	(72,895)	927,105
MEFIC PORTO Development Fund	13,108,443	-	(1,067,197)	12,041,246
MEFIC Tower Fund	31,794,957	-	8,248,312	40,043,269
MEFIC Private Equity Opportunity Fund	69,856,346	-	13,149,488	83,005,834
MEFIC Private Equity Opportunity Fund 2	7,215,980	-	(1,468,718)	5,747,262
MEFIC Private Equity Opportunity F&B	22,526,599	-	5,270,058	27,796,657
MEFIC Private Equity Opportunity Fund 3	1,445,640	-	285,220	1,730,860
MEFIC Private Equity Opportunity Fund 5	63,285,630	-	11,578,240	74,863,870
MEFIC Private Equity Opportunity Fund 6	6,140,665	-	641,236	6,781,901
	<b>215,374,260</b>	<b>1,000,000</b>	<b>36,563,744</b>	<b>252,938,004</b>

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**5. INVESTMENTS CARRIED AT FVTPL (CONTINUED)**

**b) Investment Funds – open-ended (Continued)**

<b>As at 31 December 2023</b>	<b>2022</b>	<b>Additions/ (disposal)</b>	<b>Unrealized gain / (loss)</b>	<b>2023</b>
MEFIC Saudi Freestyle Equity Fund	-	-	-	-
<b>As at 31 December 2022</b>	<b>2021</b>	<b>Additions/ (disposal)</b>	<b>Unrealized gain / (loss)</b>	<b>2022</b>
MEFIC Murabaha Fund SAR				
MEFIC Saudi Freestyle Equity Fund	3,372,864	(3,372,864)	-	-
	<b>3,372,864</b>	<b>(3,372,864)</b>	-	-

**c) Discretionary Portfolio:**

<b>As at 31 December 2023</b>	<b>2022</b>	<b>Additions/ (disposal)</b>	<b>Unrealized gain / (loss)</b>	<b>2023</b>
Equity Securities – Quoted	-	-	-	-
<b>As at 31 December 2022</b>	<b>2021</b>	<b>Additions/ (disposal)</b>	<b>Unrealized gain / (loss)</b>	<b>2022</b>
Equity Securities – Quoted	35,542,630	(35,542,630)	-	-

The above mentioned financial investments have been presented in the consolidated statements of financial position as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Non-current assets	248,619,574	252,938,004
Current assets	-	-
	<b>248,619,574</b>	<b>252,938,004</b>

**6. INVESTMENTS CARRIED AT FVOCI**

This represent investment in unquoted shares of Marsa Al-Seef Investment Group Limited, registered in Cayman Island. The Group was established with the principal aim of investing in Marsa Al-Seef project, a real estate development in the Kingdom of Bahrain. The Group has taken an irrevocable option to account for these equity securities at fair value through other comprehensive income. During the year ended 31 December 2020, the Group has impaired the entire balance of SR 11,798,902.

During the current year, the Group negotiated with the investment manager of Marsa AlSeef Investment Group Limited and agreed to acquire 2 plots of land in Marsa AlSeef in Bahrain as an “exit option” in lieu of its investments. Accordingly the Group acquired the lands in amount of 11.2 million Saudi riyals and has classified the same as “Investment Property” under IAS 40 in consolidated statement of financial position and reversed the carrying loss on this investment in amount of 11.2 million Saudi riyals and is in presented in consolidated statement of comprehensive income. The legal formalities in connection to transfer of title deeds of the said plots is in process and shall be completed in due course.

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**7. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties include the shareholder, associates and affiliated companies, other entities related to consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management

A) The major transaction with related parties is as follows:

<i>Nature of relationship</i>	<i>Nature of transaction</i>	<b>2023</b>	<b>2022</b>
	Management and subscription fees	<b>27,217,185</b>	<b>31,878,206</b>
Funds managed by MEFIC Capital	Facility arrangement fee	-	-
	Dividend Income	-	<b>2,166,542</b>
	Finance*	<b>20,933,524</b>	<b>31,433,550</b>
Riyadh City Logistics Fund	Placement fees	<b>5,786,647</b>	-
Board of directors	Board remuneration	<b>(1,115,500)</b>	<b>(1,630,500)</b>
Key management personnel	Short term benefits	<b>(13,394,477)</b>	<b>(6,338,454)</b>

B) In addition to the above-related party balances, the following are the balances with related parties at the reporting date:

<i>Nature of relationship</i>	<i>Nature of relationship</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
	Finance*	<b>20,933,524</b>	<b>29,333,524</b>
Funds managed by MEFIC Capital	Accrued management fees** payment on behalf	<b>48,489,721</b>	<b>57,764,814</b>
		<b>156,268</b>	<b>123,287</b>
Board of directors	Accrued fees	<b>(825,000)</b>	<b>(468,500)</b>

\* During the year 2022, The Group had given loans to some of the above funds managed by the Group to support its operational business These loans do not carry any financing burdens. The balances related to this financing have been included in the item due from related parties in the consolidated statement of financial position net of loss allowances of Saudi riyals 400,026 provided during 2022.

\*\*Accrued management fees are included within accrued income and other assets in the consolidated statement of financial position

1) Units held in the funds managed by the Group included under investments are as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>Number of Units</b>	
MEFIC PORTO Development Fund	<b>8,376</b>	<b>3,229</b>
MEFIC Tower Fund	-	<b>24,266</b>
MEFIC Private Equity Opportunity Fund	<b>53,487</b>	<b>53,487</b>
MEFIC Private Equity Opportunity Fund 2	<b>6,488</b>	<b>10,000</b>
MEFIC Fund for Private Equity F&B Opportunities Fund	<b>14,457</b>	<b>16,741</b>
MEFIC Private Equity Opportunity Fund 5	<b>24,457</b>	<b>24,457</b>
MEFIC Private Equity Opportunity Fund 3	<b>675</b>	<b>675</b>
MEFIC Private Equity Opportunity Fund 6	<b>4,250</b>	<b>4,250</b>
Riyadh Logistics City Fund	-	<b>1,000</b>

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**7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

2) Percentage holdings in these funds managed by the Group are as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>Percentage % holdings</b>	
MEFIC PORTO Development Fund	35.16%	13.56%
MEFIC Tower Fund	-	42.88%
Riyadh Logistics City Fund	-	0.16%
MEFIC Private Equity Opportunity Fund	40.32%	40.32%
MEFIC Private Equity Opportunity Fund 2	22.35%	22.35%
MEFIC Fund for Private Equity F&B Opportunities Fund	31.51%	31.51%
MEFIC Private Equity Opportunity Fund 5	41.92%	41.92%
MEFIC Private Equity Opportunity Fund 3	1.20%	1.20%
MEFIC Private Equity Opportunity Fund 6	14.53%	14.53%

**8. ACCRUED INCOME AND OTHER ASSETS, NET**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Accrued management fees and other income	59,645,437	67,970,783
Receivable from employees	4,201,969	889,022
VAT Receivable	2,142,578	838,302
prepaid expenses*	899,207	7,924,553
Other current assets*	18,406,967	16,530,193
Expected credit loss	(18,802,861)	(21,419,035)
	<b>66,493,297</b>	<b>72,733,818</b>

\* During the year 2022, the Group under a referral agreement paid an amount equivalent to the half of the estimated management fees from one of the managed funds of the Group for the next three years and management fee of one year from an investment portfolio that shall be transferred to the group in an event of receiving the management of the Fund. During the year 2021, the Group obtained management of the fund and the investment portfolio and accordingly the Group paid the amount of 13.3 million Saudi riyals as management fee from the Fund as referral fee and amortized the payments over three years. Further, the amount of 4.80 million Saudi Riyals was paid as referral fee being expected management fee from the investment portfolio and is included as a part of Other current assets in above.

During the current year, following the liquidation of the managed fund and receipt of all outstanding management fee from the said Fund, the Group recognized the remaining amount to be amortized of SR 7.38 million Saudi riyals from 13.3 million Saudi riyals paid as referral in 2022 as expense for the current year and is included as a part of Commission fees (note 21).

The Group measures the loss allowance for Accrued management fees and other income at an amount equal to lifetime expected credit losses (ECL). The ECL on Accrued management fees and other income are 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.

In the assessment of expected credit losses, the Group considers fair value of the underlying investments being collateral to the receivables and adjust the ratio of loss given defaults accordingly.

c) The movement on provision of management and of other income during the year as follows:

	<b>2023</b>	<b>2022</b>
Balance beginning of the year	21,419,035	21,156,473
Expected credit loss expenses	987,064	3,918,410
Reversal of Expected credit loss expenses during the year	(3,603,238)	(3,655,848)
Balance at the end of the year	<b>18,802,861</b>	<b>21,419,035</b>

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**9. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold improvements</b>	<b>Furniture and fixtures</b>	<b>Office tools and equipment</b>	<b>IT equipment</b>	<b>Telecom network equipment</b>	<b>Vehicles</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost</b>								
On 1 January	6,176,528	1,676,333	1,607,614	1,484,273	6,551,902	809,512	-	<b>18,306,162</b>
Additions during the year	-	-	-	2,250	-	-	-	<b>2,250</b>
Disposals during the year	(3,455,168)	(1,454,565)	-	-	-	-	-	<b>(4,909,733)</b>
<b>As of 31 December 2023</b>	<b>2,721,360</b>	<b>221,768</b>	<b>1,607,614</b>	<b>1,486,523</b>	<b>6,551,902</b>	<b>809,512</b>	-	<b>13,398,679</b>
<b>Accumulated Depreciation</b>								
On 1 January	3,675,831	1,505,316	1,146,011	1,453,442	6,368,262	225,038	-	<b>14,373,900</b>
Charge for the year	391,329	44,351	102,365	11,739	52,784	161,902	-	<b>764,470</b>
disposals	(3,452,705)	(1,454,394)	-	-	-	-	-	<b>(4,907,099)</b>
<b>Balance at 31/12/2023</b>	<b>614,455</b>	<b>95,273</b>	<b>1,248,376</b>	<b>1,465,181</b>	<b>6,421,046</b>	<b>386,940</b>	-	<b>10,231,271</b>
Net book value:								
<b>As of 31 December 2023</b>	<b>2,106,905</b>	<b>126,495</b>	<b>359,238</b>	<b>21,342</b>	<b>130,856</b>	<b>422,572</b>	-	<b>3,167,408</b>

	<b>Leasehold improvements</b>	<b>Furniture and fixtures</b>	<b>Office tools and equipment</b>	<b>IT equipment</b>	<b>Telecom network equipment</b>	<b>Vehicles</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost</b>								
On 1 January	3,455,169	1,495,485	1,095,781	1,454,623	6,340,756	1,236,962	3,056,987	<b>18,135,763</b>
Additions during the year	18,000	40,451	283,571	29,650	22,500	32,400	203,677	<b>630,249</b>
Transfers during the year	2,703,359	140,397	228,262	-	188,646	-	(3,260,664)	<b>-</b>
disposals	-	-	-	-	-	(459,850)	-	<b>(459,850)</b>
<b>Balance at 31/12/2022</b>	<b>6,176,528</b>	<b>1,676,333</b>	<b>1,607,614</b>	<b>1,484,273</b>	<b>6,551,902</b>	<b>809,512</b>	-	<b>18,306,162</b>
<b>Accumulated Depreciation</b>								
On 1 January	3,430,632	1,477,272	1,094,022	1,433,514	6,294,162	524,605	-	<b>14,254,207</b>
Charge for the year	245,199	28,044	51,989	19,928	74,100	160,283	-	<b>579,543</b>
disposals	-	-	-	-	-	(459,850)	-	<b>(459,850)</b>
<b>Balance at 31/12/2022</b>	<b>3,675,831</b>	<b>1,505,316</b>	<b>1,146,011</b>	<b>1,453,442</b>	<b>6,368,262</b>	<b>225,038</b>	-	<b>14,373,900</b>
Net book value:								
<b>As of 31 December 2022</b>	<b>2,500,697</b>	<b>171,017</b>	<b>461,603</b>	<b>30,831</b>	<b>183,640</b>	<b>584,474</b>	-	<b>3,932,262</b>

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**10. INTANGIBLE ASSETS, NET**

This item consists of cost and accumulated amortization are as follows:

<b>Cost</b>	<b>Software &amp; Licenses</b>	
	<b>31 December 2023</b>	<b>31 December 2022</b>
Balance at 1 January	12,822,813	12,827,248
Additions	-	-
Disposal	-	(4,435)
Transfers during the year	-	-
<b>Balance as of 31 December</b>	<b>12,822,813</b>	<b>12,822,813</b>
<b>Accumulated amortization</b>		
Balance at 1 January	11,447,618	10,959,181
Charge for the year	450,581	488,437
<b>Balance as of 31 December</b>	<b>11,898,199</b>	<b>11,447,618</b>
<b>Net book value, net</b>		
<b>Balance as of 31 December</b>	<b>924,614</b>	<b>1,375,195</b>

**11. BUILDING UNDER CONSTRUCTION, NET**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Balance at 1 January	72,729,462	70,882,879
Addition	13,909,946	1,846,583
<b>Balance as of 31 December</b>	<b>86,639,408</b>	<b>72,729,462</b>
<b>Impairment</b>		
Balance at 1 January	(12,235,879)	(8,435,879)
Addition for the year	-	(3,800,000)
<b>Balance as of 31 December</b>	<b>(12,235,879)</b>	<b>(12,235,879)</b>
<b>Net book value, net</b>		
<b>Balance as of 31 December</b>	<b>74,403,529</b>	<b>60,493,583</b>

During 2020, MEFIC REIT Fund transferred the property (Plaza 2) to the Group and the leased plot of land as a settlement of the amount owed. The transfer amount for land and property is 70.8 million Saudi riyals. The contract is scheduled to end on August 8, 2040. The relevant land was recognized under IFRS 16 on 29 April 2020. On February 21, 2023, the Group concluded a new lease contract for the same plot of land on which the building is located and extended it for another four years to end in the year 2040 instead of 2036.

**12. DEFERRED TAX ASSET**

Deferred tax asset relates to the following

	<b>31 December 2023</b>	<b>31 December 2022</b>
Provision for expected credit losses	389,841	422,281
Employees benefits obligation	73,328	66,156
Property and equipment	3,962	(8,496)
	<b>467,131</b>	<b>479,941</b>

The movement during the year on this account was as follows:

	<b>2023</b>	<b>2022</b>
Balance at the beginning of the year	479,941	402,027
Charge for the year	(12,810)	77,914
Balance at the end of the year	<b>467,131</b>	<b>479,941</b>

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**13. RIGHT OF USE ASSETS AND LEASE LIABILITY**

**A) Movements on Right of Use Assets**

<b>Cost</b>	<b>Land</b>	<b>Office</b>	<b>Total</b>
Balance 01 January	28,424,929	9,459,949	37,884,878
Additions during the year	3,144,668	-	3,144,668
Balance as at 31 December	<b>31,569,597</b>	<b>9,459,949</b>	<b>41,029,546</b>
<b>Accumulated depreciation</b>			
Balance as at 01 January	(4,593,928)	(1,466,319)	(6,060,247)
Charge for the year	(2,170,664)	(333,335)	(2,503,999)
Balance as at 31 December	<b>(6,764,592)</b>	<b>(1,799,654)</b>	<b>(8,564,246)</b>
<b>Closing balance as at December 31, 2023</b>	<b>24,805,005</b>	<b>7,660,295</b>	<b>32,465,300</b>
<b>Cost</b>	<b>Land</b>	<b>Office</b>	<b>Total</b>
Balance 01 January	28,424,929	6,126,594	34,551,523
Additions during the year	-	3,333,354	3,333,354
Balance as at 31 December	<b>28,424,929</b>	<b>9,459,948</b>	<b>37,884,877</b>
<b>Accumulated depreciation</b>			
Balance as at 01 January	(2,871,205)	(714,769)	(3,585,974)
Charge for the year	(1,722,723)	(751,550)	(2,474,273)
Balance as at 31 December	<b>(4,593,928)</b>	<b>(1,466,319)</b>	<b>(6,060,247)</b>
<b>Closing balance as at December 31, 2022</b>	<b>23,831,001</b>	<b>7,993,629</b>	<b>31,824,630</b>

**B) Movements on Lease Liability**

	<b>Land</b>	<b>Office</b>	<b>Total</b>
Balance at beginning of the year	25,863,982	8,925,015	34,788,997
Addition during the year	3,144,668	-	3,144,668
Financing cost	2,080,520	177,702	2,258,222
Paid during the year	(3,303,045)	(654,672)	(3,957,716)
<b>Closing balance as at December 31, 2023</b>	<b>27,786,126</b>	<b>8,448,046</b>	<b>36,234,171</b>
	<b>Land</b>	<b>Office</b>	<b>Total</b>
Balance at beginning of the year	26,878,982	5,648,632	32,527,614
Addition during the year	-	3,333,354	3,333,354
Financing cost	1,055,000	354,045	1,409,045
Paid during the year	(2,070,000)	(411,016)	(2,481,016)
<b>Closing balance as at December 31, 2022</b>	<b>25,863,982</b>	<b>8,925,015</b>	<b>34,788,997</b>

**B) Movements on Lease Liability**

The above-mentioned lease liabilities have been presented in the consolidated statements of financial position as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Current portion of lease liabilities	3,328,478	3,957,717
Non-current portion of lease liabilities	32,905,693	30,831,280

Amount Recognized in the income statement

	<b>2023</b>	<b>2022</b>
Depreciation of right of use assets	2,503,999	2,474,273
Finance cost of lease liability	2,258,222	1,409,045
Expenses relating to short-term leases	-	430,181

Amount Recognized in cash flow

	<b>31 December 2023</b>	<b>31 December 2022</b>
Paid during the year	3,957,716	2,481,016

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**13. RIGHT OF USE ASSETS AND LEASE LIABILITY(CONTINUED)**

- The Group entered into a rental contract with Riyadh Real Estate Development Company on September 11, 2022, in order to rent the (“eighth floor”) located on King Fahd Branch Road, for use as the subsidiary’s headquarters. The contract period is 10 years, starting from August 1, 2022 until July 31, 2032, with an area of 379.53 square meters.
- The Group entered into a lease contract with Abdulaziz bin Muhammad Al-Taweel on February 21, 2023 to rent a plot of land in the city of Riyadh No. 538 from Plan No. 208 with an area of 4,800 square meters on King Abdullah Road. The purpose of the leased property and the construction that the Group will carry out is to use it in practicing Its activity is in real estate development and subleasing, knowing that the Group had obtained the usufruct right for this plot along with the building erected on it as settlement for a debt owed to it towards a fund. MEFIC REIT during 2020. On February 21, 2023, the Group concluded a new lease contract for the same plot of land and extended it for another four years to end in the year 2040 instead of 2036. This amendment resulted in an increase in lease contract obligations by an amount of 3,144,669 Saudi riyals, and an increase in right-of-use assets depreciation expenses and the financing cost on lease obligations in accordance with International Financial Reporting Standard No. 16 “Leases.”

**14. ISLAMIC FACILITY**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at 1 January	20,000,000	4,289,727
Additions	20,000,000	20,000,000
Paid during the year	(20,000,000)	(4,289,727)
Total	<u>20,000,000</u>	<u>20,000,000</u>
Deducted: the deferred financing cost during the year	-	-
Add: Finance cost accrued during the year	150,454	112,985
Net borrowing value	<u>20,150,454</u>	<u>20,112,985</u>

- The Group signed a credit facility agreement, using the Islamic tawarruq, with a local bank on June 7, 2023, with a limit of 40 million Saudi riyals, to finance the Group’s operations. As of 31 December 2023, the Group used an amount of 20 million Saudi riyals from the financing agreement. The financing costs are paid on a monthly basis, and the outstanding loan principal was not paid until December 31, 2023, the facility is subject to SAIBOR 1 + 3% per annum.

**15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<u>31 December 2023</u>	<u>31 December 2022</u>
VAT payable	2,396,739	2,963,581
Salaries and employee related	7,121,337	2,545,104
Professional fees	1,924,698	1,297,585
Dividend guarantee (note 23)	464,127	483,520
Shariah purification expenses	442,764	468,684
GOSI	113,563	98,291
IT maintenance expenses	435,798	325,516
Others	2,143,012	1,064,674
	<u>15,042,038</u>	<u>9,246,955</u>



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**16. ZAKAT AND INCOME TAX PROVISION**

The Group has recognized Zakat and Income Tax provision for the year in accordance with Saudi Arabian Zakat and Income Tax Regulations and recognized in the consolidated statements of profit or loss. Breakup of provision for Zakat and Income Tax in the consolidated statement of financial position are as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Zakat provision	38,642,296	37,946,914
Income Tax provision	198,106	198,106
	<u><b>38,840,402</b></u>	<u><b>38,145,020</b></u>

The details of provisions for Zakat and Income Tax provision in the consolidated statement of profit and loss is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Zakat provision	2,715,442	2,752,613
Income Tax provision	-	91,098
	<u><b>2,715,442</b></u>	<u><b>2,843,711</b></u>

a) The movement of zakat provision for the year ended December 31 is as follows:

	<u>31 December 2023</u>		
	<u>Company</u>	<u>Subsidiary</u>	<u>Total</u>
Balance at the beginning of the year	35,334,998	2,611,916	<b>37,946,914</b>
Payment during the year	(1,447,605)	(572,455)	<b>(2,020,060)</b>
Charge for the year	2,464,997	250,445	<b>2,715,442</b>
	<u><b>36,352,390</b></u>	<u><b>2,289,906</b></u>	<u><b>38,642,296</b></u>
	<u>31 December 2022</u>		
	<u>Company</u>	<u>Subsidiary</u>	<u>Total</u>
Balance at the beginning of the year	34,048,835	2,566,226	<b>36,615,061</b>
Payment during the year	(825,923)	(594,837)	<b>(1,420,760)</b>
Charge for the year	2,112,086	640,527	<b>2,752,613</b>
	<u><b>35,334,998</b></u>	<u><b>2,611,916</b></u>	<u><b>37,946,914</b></u>

b) The movement in the income tax provision is as follows:

	<u>31 December 2023</u>		
	<u>Company</u>	<u>Subsidiary</u>	<u>Total</u>
Balance at the beginning of the year	197,550	556	<b>198,106</b>
Payment during the year	-	-	-
Charge for the year	-	-	-
	<u><b>197,550</b></u>	<u><b>556</b></u>	<u><b>198,106</b></u>

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**16. ZAKAT AND INCOME TAX PROVISION (CONTINUED)**

	<b>31 December 2022</b>		
	<b>Company</b>	<b>Subsidiary</b>	<b>Total</b>
Balance at the beginning of the year	106,452	556	<b>107,008</b>
Payment during the year	-	-	-
Charge for the year	91,098	-	<b>91,098</b>
	<b>197,550</b>	<b>556</b>	<b>198,106</b>

The following are the significant components of the Zakat base of the Saudi and GCC shareholders for the year ended 31 December 2023:

	<b>Company</b>	<b>Subsidiary</b>
Share capital	300,000,000	100,000,000
Statutory and other reserve	41,309,495	9,133,140
Accumulated gains / (losses)	22,475,251	(34,244,589)
Book value of long-term assets	(323,701,170)	(74,403,529)
Opening provisions and other adjustments	61,861,056	9,872,637
Zakat base	<b>101,944,632</b>	<b>10,357,659</b>
Saudi & GCC shareholders' (93.80%) Zakat base	(6,320,567)	(642,175)
Zakat base after adjustment Saudi & GCC Shareholders	95,624,065	9,715,484
Zakat amount at the rate of 2.5778%	<b>2,464,997</b>	<b>250,445</b>

for the year ended 31 December 2022:

	<b>Company</b>	<b>Subsidiary</b>
Share capital	300,000,000	100,000,000
Statutory and other reserve	39,071,200	9,133,140
Accumulated (losses)	-	(25,630,306)
Book value of long-term assets	(334,132,200)	(60,493,583)
Opening provisions and other adjustments	82,410,589	3,480,953
Zakat base	<b>87,349,303</b>	<b>26,490,204</b>
Saudi & GCC shareholders' (93.80%) Zakat base	5,415,657	(1,642,393)
Zakat base after adjustment Saudi & GCC Shareholders	81,933,646	24,847,811
Zakat amount at the rate of 2.5778%	<b>2,112,086</b>	<b>640,527</b>

**c) Zakat and tax assessments:**

***The Group***

The Group has submitted its zakat and corporate income tax returns for financial years from 2007 through 2021 with the Zakat, Tax and Customs Authority ("ZATCA") and has received restricted certificate valid up to 30 April 2023

## **16. ZAKAT AND INCOME TAX PROVISION (CONTINUED)**

The Group has submitted its zakat and corporate income tax returns for financial years from 2007 through 2022 with the Zakat, Tax and Customs Authority (“ZATCA”) and has received restricted certificate valid up to 30 April 2024.

The Group had received final assessments for the years 2008 till 2013 and for year 2018 wherein the ZATCA has raised additional demands aggregating to SR 43.27 million. The Group paid SAR 1.67 million of the additional liability pertaining to years 2008-11 and filed an appeal against the remaining liability of SR 17.97 million to Higher Appellate Committee (“HAC”); a bank guarantee of SAR 17.97 million was submitted to then General Authority for Zakat and Tax (“GAZT”) as required by the zakat and corporate income tax laws of the Kingdom of Saudi Arabia. The appeal for years 2008-11 from HAC was then referred to General Secretariat of Tax Committees (“GSTC”) post dissolution of HAC. However, a provision of SR 17.97 million was provided as of 31 December 2020 against this guarantee provided to GAZT on prudent basis without prejudice to the merit of the pending legal case and rights of each party to remain same until a settlement is reached between Zakat, Tax and Customs Authority (“ZATCA”) and the Group or the final decision is received on the same from GSTC otherwise. The Group is also formally contesting the assessments received for years 2012-13 with GSTC.

During 2020, the Group received the final assessment for year 2014 in which the ZATCA has raised the additional demand of SR 2.45 million. The management had filed an appeal with GSTC post rejection of their appeal by ZATCA for the said year.

These additional exposures of SR 45.73 million for years 2008-14 and year 2018 was on account of disallowance of long-term investments and other disallowances by ZATCA. The total provisions of SAR 33.15 million was provided as of 31 December 2020 which represented the Company’s best estimates of its liability towards ZATCA. However, during 2022, the Group resubmitted the revised zakat and tax declaration for 2018 under the initiatives announced by ZATCA for new regulations. Following the acceptance of the revised declaration for 2018 by ZATCA, the appeal filed with GSTC for earlier assessment raised for 2018 was withdrawn by the company. Subsequent to the year end the Group has received the final assessment from ZATCA for revised 2018 declaration and is currently under review by the Group for further action to be taken..

During 2021, the Group received the final assessments for years 2015 till 2017 from ZATCA raising additional demand aggregating to SR 11.04 million on account of disallowance of long-term investments and other disallowances from the zakat base. The management had filed an appeal with GSTC post rejection of their appeal by ZATCA for these years. The Group has provided the provisions of SAR 6.62 million on prudent basis for these years assessed by ZATCA.

### **The Subsidiary**

The Group has filed its Zakat and corporate income tax returns for the years from establishment date up to and including the financial year 2022 with the Zakat, Tax and Customs Authority (the “ZATCA”) and has received restricted certificate valid up to 30 April 2024.

During 2020, the Group received the final assessments for the years 2015 to 2018 from ZATCA raising the additional demand of SR 2.89 million. These additional exposures are on account of disallowance of long-term investments from the zakat base by ZATCA. The Group is carrying the total provisions of 2.33 million Saudi riyals for these years assessed by ZATCA. During 2021, the Group had filed the formal objection with General Secretariat of Tax Committees (“GSTC”) after the rejection of its appeal by ZATCA for years 2015, 2016 and 2017 and has settled the liability for year 2018 with ZATCA by paying a total of SR 0.27 million.

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**17. EMPLOYEES' END OF SERVICES BENEFITS**

a) The movement in the defined benefit obligation during the year is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at beginning of the year	5,335,151	4,928,683
Current services cost	588,730	555,671
Finance charge	245,236	88,225
Payments and settlements during the year	(506,438)	(145,144)
Actuarial loss / (profits)	250,858	(92,284)
Balance at the end of the year	<u>5,913,537</u>	<u>5,335,151</u>

b) The main assumptions used for actuarial valuations were as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rate	<b>4.65%</b>	<b>%4.55</b>
Salary increase rate	<b>4.65%</b>	<b>%4.55</b>
Staff turnover rate	<b>High</b>	<b>High</b>

c) Sensitivity analysis of actuarial assumptions: Below is the effect of change in the present value:

<b>Change in discount rate</b>	<u>2023</u>	<u>2022</u>
Increase by 0.5%	<b>5,803,989</b>	<b>5,237,590</b>
Decrease by 0.5%	<b>6,028,509</b>	<b>5,437,656</b>
<b>Expected rate of salary increase</b>		
Increase by 0.5%	<b>5,987,248</b>	<b>5,400,491</b>
Decrease by 0.5%	<b>5,843,052</b>	<b>5,272,800</b>

**18. SHARE CAPITAL**

The Board of Directors recommended at its meeting held on 23 Shabaan 1443H, corresponding to 27 March 2022 to the Extraordinary General Assembly to reduce the capital amounting to SR 100 million against accumulated losses and the remaining amount is to be kept in equity as other reserve.

The Group's extraordinary general assembly was held on On 22 Dhul Qaidah 1443H corresponding to 21 June 2022 and the capital reduction and the new by-laws were approved. Accordingly, as at 31 December 2022, the authorized Share capital was SR 300 million, divided into 30 million shares of SR 10 for each. Moreover, the capital reduction amounting to SR 100 million against accumulated losses as at 31 December 2021 amounting to SR 75.8 million and the remaining amount SR 24.2 million kept in equity as other reserve.

	<u>2023</u>			
	<b>Percentage</b>	<b>Number of shares</b>	<b>Share value</b>	<b>Capital</b>
GCC shareholders	40%	12,000,000	10	120,000,000
The Arab Investment Group (TAIC)	15%	4,500,000	10	45,000,000
Saudi Shareholders	45%	13,500,000	10	135,000,000
	<b>100%</b>	<b>30,000,000</b>		<b>300,000,000</b>
	<u>2022</u>			
	<b>Percentage</b>	<b>Number of shares</b>	<b>Share value</b>	<b>Capital</b>
GCC shareholders	40%	12,000,000	10	120,000,000
The Arab Investment Group (TAIC)	15%	4,500,000	10	45,000,000
Saudi Shareholders	45%	13,500,000	10	135,000,000
	<b>100%</b>	<b>30,000,000</b>		<b>300,000,000</b>

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**19. STATUTORY RESERVE**

The Group is required to allocate 10% of its profit for each year to a statutory reserve. The Group may discontinue such transfers when such reserve reaches 30% of its share capital. Such reserve is not subject to distributions

**20. ASSET MANAGEMENT, SUBSCRIPTION AND ADVISORY FEES**

	<u>Asset Management</u>	<u>Subscription and Advisory Fees</u>
<b>2023</b>		
Nature and timing of revenue recognition:		
At point in time	-	-
over time	33,296,913	-
	<u>33,296,913</u>	<u>-</u>
<b>2022</b>		
Nature and timing of revenue recognition:		
At point in time	-	-
over time	32,978,863	-
	<u>32,978,863</u>	<u>-</u>

**21. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2023</u>	<u>2022</u>
Commission fees (Note 8)	7,495,173	19,494,397
Professional fees	3,141,764	2,725,559
Board remuneration (Note 7)	1,115,500	1,630,500
Repairs and maintenance	1,369,165	1,243,329
Subscriptions	1,068,030	929,065
Guaranteed dividends	458,917	461,341
Insurance expenses	319,797	346,783
Utilities, maintenance and sundry expenses	495,931	285,267
Security services	12,000	60,000
Other	1,590,250	1,164,186
	<u>17,066,527</u>	<u>28,340,427</u>

**22. EARNINGS PER SHARE**

Earnings per share is calculated by dividing net income or loss for the year by the weighted average number of shares outstanding during the year ended 31 December 2023 for 30,000,000 shares (2022: 30,000,000 shares)

**23. ASSETS UNDER MANAGEMENT**

These represent the mutual funds' assets and investments managed by the Group on behalf of its customers, which amount to SR3,383,893,708 as at 31 December 2023 (31 December 2022: SR.2,863,067,025) Consistent with the Group's accounting policy, such balances are not audited and are not included in the Group's consolidated financial statements.

**24. CONTINGENCIES AND COMMITMENTS**

Contingent liabilities: There were no contingencies as at the reporting date except for the Zakat and corporate income tax assessment under consideration as disclosed in relevant notes of the financial statements.

MEFIC has guaranteed an annual dividend of up to 2% to initial cash subscribers of MEFIC REIT Fund, if the annual dividend announced by MEFIC REIT Fund falls short of 5%. Any deficiency in the annual dividend is guaranteed by MEFIC up to a rate of 2% of the deficient amount. The amount of dividend to be paid for the period up to 31 December 2023 is SR 464,127 which approximates to the corresponding 2% of the deficient amount guaranteed by MEFIC. (2022: SR 483,520)

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**25. SEGMENT INFORMATION**

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided and has the following reportable segments:

**Corporate**

Corporate manages future corporate development and controls all treasury-related functions. All proprietary investments are included within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

**Asset management**

Asset management services include management of certain mutual funds and investments on behalf of the Group's customers. Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. The Group does not track liabilities by business segment and these are accordingly disclosed as corporate liabilities.

**Real Estate**

Real Estate division deals with managing investment properties and devising strategies to maximize profits from capital appreciation in properties and generate rental income

**Private Equity and investment banking (PE and IB)**

The Group invests in private unquoted companies and makes strategies for their turnaround and to be sold in future years generating income for the Group.

The following is a statement of the segment information as of December 31, 2023, 2022:

<b>31 December 2023</b>	<b>Corporate</b>	<b>Asset management</b>	<b>Real Estate</b>	<b>PE &amp; IB</b>	<b>Total</b>
Revenues					
Total revenues	<b>27,097,528</b>	<b>401,549</b>	<b>17,072,404</b>	<b>15,822,960</b>	<b>60,394,441</b>
Expenses					
Total expenses	<b>13,820,748</b>	<b>7,297,145</b>	<b>19,169,638</b>	<b>4,817,688</b>	<b>45,105,219</b>
Segment profit / (loss)	<b>13,276,780</b>	<b>(6,895,596)</b>	<b>(2,097,234)</b>	<b>11,005,272</b>	<b>15,289,222</b>
Zakat and Income Tax					<b>2,728,252</b>
Profit for the year					<b>12,560,970</b>
Total assets	<b>158,149,324</b>	<b>1,006,378</b>	<b>71,977,384</b>	<b>258,202,074</b>	<b>489,335,160</b>
Total liabilities	<b>116,180,602</b>	-	-	-	<b>116,180,602</b>
<b>31 December 2022</b>	<b>Corporate</b>	<b>Asset management</b>	<b>Real Estate</b>	<b>PE &amp; IB</b>	<b>Total</b>
Revenues					
Total revenues	<b>46,943,640</b>	<b>1,265,333</b>	<b>15,903,951</b>	<b>15,809,579</b>	<b>79,922,503</b>
Expenses					
Total expenses	<b>35,062,828</b>	<b>6,590,706</b>	<b>11,880,751</b>	<b>1,239,454</b>	<b>54,773,739</b>
Segment profit / (loss)	<b>11,880,812</b>	<b>(5,325,373)</b>	<b>4,023,200</b>	<b>14,570,125</b>	<b>25,148,764</b>
Zakat and Income Tax					<b>2,765,797</b>
Profit for the year					<b>22,382,967</b>
Total assets	<b>108,851,735</b>	<b>1,394,179</b>	<b>111,032,306</b>	<b>235,995,331</b>	<b>457,273,551</b>
Total liabilities	<b>107,629,108</b>	-	-	-	<b>107,629,108</b>

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**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value**

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. Fair value definition includes the assumption that the Group will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted (unadjusted) prices in an active financial market for identical assets and liabilities that can be accessed on the measurement date.

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

Level 3: Asset or liability inputs that are not based on observable market data (unobservable inputs).

The table below presents the financial instruments at their fair values as of 31 December 2022 based on the fair value hierarchy:

	<b>31 December 2023</b>			
	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Investments carried at FVTPL	15,504,837	-	233,114,737	248,619,574
<b>Total</b>	<b>15,504,837</b>	<b>-</b>	<b>233,114,737</b>	<b>248,619,574</b>

	<b>31 December 2022</b>			
	<b>Level 1 SR</b>	<b>Level 2 SR</b>	<b>Level 3 SR</b>	<b>Total SR</b>
Investments carried at FVTPL	-	-	252,938,004	252,938,004
<b>Total</b>	<b>-</b>	<b>-</b>	<b>252,938,004</b>	<b>252,938,004</b>

Investments carried at fair value through profit or loss that are classified as level 2 include investments in public investment funds, the fair values of which are determined based on the last recorded net asset value ("NAV") as of the reporting date or available fair value.

Investments carried at fair value through profit or loss classified as Level 3 include investment in private funds whose fair values are determined based on the last recorded net asset value ("NAV") as of the reporting date.

There have been no transfers between Level 1, Level 2 and Level 3 during the reporting periods.

**Financial instruments in category**

<b>31 December 2023</b>	<b>Amortized cost</b>	<b>FVTPL</b>
Cash and cash equivalents	30,660,780	-
Accrued income and other assets	66,493,297	-
Due from related parties	20,933,524	-
Investments carried at FVTPL	-	248,619,574
<b>Total</b>	<b>118,087,601</b>	<b>248,619,574</b>
<b>31 December 2022</b>	<b>Amortized cost</b>	<b>FVTPL</b>
Cash and cash equivalents	4,162,592	-
Accrued income and other assets	72,733,818	-
Due from related parties	29,333,524	-
Investments carried at FVTPL	-	252,938,004
<b>Total</b>	<b>106,229,934</b>	<b>252,938,004</b>

All financial liabilities as of 31 December 2023, (31 December 2022) are classified as financial liabilities measured at amortized cost.

## **26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

### **Financial risk factors**

The Group's objective when managing risk is to create and protect shareholder value. Risks are an inherent part of the Group's activities and are managed through a process of determining their nature, measurement and continuous monitoring, according to risk limits and other control elements. The risk management process is critical to the continued profitability of the Group.

The members of the Group's Board of Directors have overall responsibility for setting up and overseeing the Group's risk management framework. The Group's risk management policies are designed to define and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor them while adhering to those limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees are aware of their roles and commitments.

The Group is exposed to the following risks arising from financial instruments:

- A. Market risk**
- B. Credit risk**
- C. Liquidity risk**

#### **A. Market risk**

Foreign exchange risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

The Group's financial instruments are denominated in Saudi Riyal ("SAR").

Price risk

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

Price risk arises primarily from uncertainty about future prices of financial instruments held by the Group. The Group manager diversifies his investment portfolio and closely monitors the price movements of his investments in financial instruments. As of the financial position date, the Group had investments in equity instruments.



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**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**A. Credit risk**

Credit risk is the risk that one party to a consolidated financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The Group is exposed to credit risk on its Cash and cash equivalents, Accrued income and other assets, due from related parties and financial guarantee.

An allowance for expected credit losses is maintained which in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the bank balance. Therefore, the probability of default based on forward looking factors and any loss given default are considered negligible.

Due from related parties are unsecured, yield free and have no fixed repayment. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired.

In calculating the expected credit loss allowance for accrued income and other assets and due from related parties, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

The Group's maximum undiscounted exposure to credit risk for the financial assets and respective expected credit loss is as follows:

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Exposure</b>	<b>ECL</b>	<b>Exposure</b>	<b>ECL</b>
Cash and cash equivalents	30,660,780	-	4,162,592	-
Accrued income and other assets	66,493,297	(18,802,861)	72,733,818	(21,419,035)
Due from related parties	20,933,524	(400,026)	29,333,524	(400,026)
Financial guarantee	-	-	10,000,000	-
<b>Total</b>	<b>118,087,601</b>	<b>(19,202,887)</b>	<b>116,229,936</b>	<b>(21,819,061)</b>

B. The aging of the Accrued management fees and other income (Note 8):

<b>Debit ageing</b>	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Exposure</b>	<b>allowance</b>	<b>Exposure</b>	<b>Allowance</b>
0-30 days	12,287,424	(174,496)	22,394,145	(124,132)
91-180 days	3,197,415	(22,244)	3,760,939	(60,732)
180-360 days	7,711,443	(137,905)	8,097,853	(214,521)
360 days	36,449,155	(10,821,071)	33,717,846	(9,806,584)
<b>total balance</b>	<b>59,645,437</b>	<b>(11,155,716)</b>	<b>67,970,783</b>	<b>(10,205,969)</b>

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**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

Credit consideration

Concentrations of credit risk arise when a number of counterparties are engaged in similar activities, or activities within the same geographic region, or have similar economic characteristics due to changes in economic policies or other conditions.

At the statement of financial position date, management has not identified any significant concentrations of credit risk.

Financial guarantee

During the year 2020, MEFIC Private Equity Opportunities Fund 5 (a fund managed by the Group "The Fund") secured a sharia financing facility line from Bank AlJazira amounting to SR 51,782,400 for the purpose of financing the asset acquisition of the Fund. Since the Fund SPV legal status was not a Joint Stock Group ("JSC") as per the requirements of the bank, MEFIC temporarily facilitated the credit facility on behalf of the Fund until the legal status of the Fund SPV has changed to a JSC.

The outstanding withdrawal as on 31 December 2020, amounted to 10 million Saudi riyals. The loan is secured against the total assets of the fund. The Group also provided a corporate guarantee for the repayment of the loan. In March 2021 the loan was transferred to the fund SPV (M/S All Forsa AlMaseyah Al Riyadeyah) with all conditions remaining the same including the repayment guarantee provided by the Group and also the fund has repaid an amount of SR. 3,875,000 towards the partial repayment of the loan.

Accordingly, the Group is exposed to credit risk in relation to financial guarantees given to MEFIC private equity opportunity fund 5 (Fund managed by the group). The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the Fund defaulted. Based on the No repayment amount of the respective loan related to the financial guarantee at the reporting date is past due, taking into account the historical default experience and the Fund has positive net assets value, the management considers that the financial guarantee is not impaired.

**C. Liquidity risk**

Liquidity risk is failure to provide the necessary funds to fulfil obligations associated with the financial instrument. Liquidity risk may result from the failure to sell a financial asset quickly at an amount close to its fair value. Financial assets at the end of the year include balances with bank, investments at fair value through profit or loss, accounts receivable and due from related parties that can be used to meet changing liquidity requirements. The Group monitors expected cash flows on a regular basis to ensure that positive cash flows from operating activities are maintained to finance the Group's future obligations.

The table below summarizes the maturity profile of the Group's financial liabilities based on the expected maturities:

	<b>31 December 2023</b>				
	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>No fixed maturity</b>	<b>Total</b>
Accrued expenses and other current liabilities	15,042,038	15,042,038			<b>15,042,038</b>
Lease Liability	36,234,171	3,328,478	58,524,900	-	<b>61,853,378</b>
Employee benefit obligations	5,913,537	-	-	5,913,537	<b>5,913,537</b>
	<b>57,189,746</b>	<b>18,370,516</b>	<b>58,524,900</b>	<b>5,913,537</b>	<b>82,808,953</b>

**Middle East Financial Investment Company**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
*(Amounts in Saudi Arabian Riyals)*

**26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**B. Liquidity risk (Continued)**

	31 December 2022				Total
	Carrying amount	Less than 1 year	More than 1 year	No fixed maturity	
Accrued expenses and other current liabilities	9,246,955	9,246,955	-	-	9,246,955
Lease Liability	34,788,997	3,328,478	40,853,378	-	44,181,856
Employee benefit obligations	5,335,151	-	-	5,335,151	5,335,151
	<b>49,371,103</b>	<b>12,575,433</b>	<b>40,853,378</b>	<b>5,335,151</b>	<b>58,763,962</b>

**27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY**

The Group has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2023	31 December 2022
<b>Capital Base:</b>		
Tier 1 capital	371,762,814	347,789,307
Tier 2 capital	-	-
<b>Total Capital Base</b>	<b>371,762,814</b>	<b>347,789,307</b>
<b>Minimum Capital Required:</b>		
Credit risk	131,314,214	220,542,829
Operational risk	10,847,353	12,650,999
Market risk	2,515,572	1,685,774
Concentration risk	88,324,533	42,826,741
<b>Total Minimum Capital Required</b>	<b>233,001,671</b>	<b>277,706,343</b>
<b>Capital Adequacy Ratio (in %)</b>	<b>12.76%</b>	<b>10.02%</b>
Surplus in Capital	138,761,142	70,082,964
<b>Capital Adequacy Ratio (times)</b>	<b>1.60</b>	<b>1.25</b>

**28. APPROVAL OF THE FINANCIAL STATEMENTS**

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