GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
together with the
INDEPENDENT AUDITOR'S REPORT

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholder of GFH Capital S.A.

Opinion

We have audited the financial statements of **GFH Capital S.A.** ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for opinion

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

To the shareholder of GFH Capital S.A. (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **GFH Capital S.A.** ("the Company").

KPMG Professional Services

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 1010425494
R : 1
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
KPMG Professional Services

Fahad Mubark AlDossari
License no. 469

Riyadh on: 13 Ramadan 1444H
Corresponding to: 4 April 2023

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
In Saudi Arabian Riyals

	Notes	**2022**	2021
ASSETS			
Non-current assets			
Property and equipment, net	*5*	**1,403,777**	1,682,977
Right-of-use assets, net	*6*	**2,088,416**	500,202
Total non-current assets		**3,492,193**	2,183,179
Current assets			
Due from a related party	*11*	**82,519,460**	44,870,346
Other current assets		**771,023**	634,158
Investments at fair value through profit or loss ("FVTPL")	*7*	**1,122,155**	376,400
Cash and cash equivalents	*8*	**14,610,334**	19,479,521
Total current assets		**99,022,972**	65,360,425
TOTAL ASSETS		**102,515,165**	67,543,604
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	*9*	**20,000,000**	20,000,000
Statutory reserve		**6,000,000**	4,745,723
Retained earnings		**62,308,263**	40,922,609
Total shareholder's equity		**88,308,263**	65,668,332
Non-current liability			
Employees' end of service benefits		**503,965**	227,636
Lease liability	*6*	**1,388,816**	--
Total non-current liabilities		**1,892,781**	227,636
Current liabilities			
Accounts payable and accrued expenses		**9,322,604**	23,004
Lease liability	*6*	**699,600**	--
Zakat payable	*10*	**2,291,917**	1,624,632
Total current liabilities		**12,314,121**	1,647,636
Total liabilities		**14,206,902**	1,875,272
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**102,515,165**	67,543,604

The notes on pages 7 to 22 form an integral part of these financial statements.

The financial statements were approved by the Directors of the Company and signed on their behalf on 3 April 2023 by:

Salah Sharif	**Razi AlMerbati**	**Ahmed Khalil AlKhalili**
Authorized member of the Board of Directors	Chief Executive Officer	Chief Financial Officer

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
In Saudi Arabian Riyals

	Notes	**2022**	2021
Revenue			
Arranging fees, net	*11*	**58,061,674**	40,682,479
Advisory fees	*11*	**3,706,770**	14,292,599
Total revenue		**61,768,444**	54,975,078
Unrealized gain on investments at FVTPL	*7*	**256,208**	74,400
Dividend income		**15,878**	--
Total operating income		**62,040,530**	55,049,478
Expenses			
Salaries and employee related expenses		**(32,929,272)**	(3,673,499)
Depreciation and amortization expense	*5,6*	**(779,402)**	(908,241)
Other general and administrative expenses	*12*	**(3,400,008)**	(1,385,872)
		(37,108,682)	(5,967,612)
Net profit for the year before zakat		**24,931,848**	49,081,866
Zakat charge	*10*	**(2,291,917)**	(1,624,632)
Net profit for the year		**22,639,931**	47,457,234
Other comprehensive income		**--**	--
Total comprehensive income for the year		**22,639,931**	47,457,234

The notes on pages 7 to 22 form an integral part of these financial statements.

The financial statements were approved by the Directors of the Company and signed on their behalf on 3 April 2023 by:

Salah Sharif
Authorized member of the Board of Directors

Razi AlMerbati
Chief Executive Officer

Ahmed Khalil AlKhalili
Chief Financial Officer

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
In Saudi Arabian Riyals

	Share capital	**Proposed increase in share capital**	**Statutory reserve**	**Retained earnings**	**Total**
Balance at 1 January 2022	**20,000,000**	--	**4,745,723**	**40,922,609**	**65,668,332**
Total comprehensive income for the year	--	--	--	**22,639,931**	**22,639,931**
Transferred to statutory reserve	--	--	**1,254,277**	**(1,254,277)**	--
Balance at 31 December 2022	**20,000,000**	--	**6,000,000**	**62,308,263**	**88,308,263**

	Share capital	Proposed increase in share capital	Statutory reserve	(Accumulated losses) /retained earnings	Total
Balance at 1 January 2021	2,400,000	17,600,000	--	(2,609,382)	17,390,618
Issuance of shares during the year	17,600,000	(17,600,000)	--	--	--
Total comprehensive income for the year	--	--	--	47,457,234	47,457,234
Absorption of expenses by the shareholder	--	--	--	820,480	820,480
Transferred to statutory reserve	--	--	4,745,723	(4,745,723)	--
Balance at 31 December 2021	20,000,000	--	4,745,723	40,922,609	65,668,332

The notes on pages 7 to 22 form an integral part of these financial statements.

The financial statements were approved by the Directors of the Company and signed on their behalf on 3 April 2023 by:

Salah Sharif
Authorized member of the Board of Directors

Razi AlMerbati
Chief Executive Officer

Ahmed Khalil AlKhalili
Chief Financial Officer

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
In Saudi Arabian Riyals

	Notes	**2022**	2021
Operating activities			
Net profit for the year before zakat		**24,931,848**	49,081,866
Adjustments for:			
Depreciation	*5, 6*	**779,402**	908,241
Employees' end of service benefits expense		**276,329**	126,000
Unrealized gain on investments at FVTPL	*7*	**(256,208)**	(74,400)
Gain on modification of lease	*6*	--	(148,514)
Changes in operating assets and liabilities:			
Increase in due from a related party		**(37,649,114)**	(49,959,805)
Increase in other current assets		**(136,865)**	(357,111)
Increase / (decrease) in accounts payable and accrued expenses		**9,299,600**	(97,056)
Cash used in operating activities		**(2,755,008)**	(520,779)
Zakat paid		**(1,624,632)**	--
Net cash used in operating activities		**(4,379,640)**	(520,779)
Investing activities			
Acquisition of investment at FVTPL		**(489,547)**	--
Net cash used in investing activities		**(489,547)**	--
Net decrease in cash and cash equivalents		**(4,869,187)**	(520,779)
Cash and cash equivalents at the beginning of the year		**19,479,521**	20,000,300
Cash and cash equivalents at the end of the year	*8*	**14,610,334**	19,479,521

The notes on pages 7 to 22 form an integral part of these financial statements.

The financial statements were approved by the Directors of the Company and signed on their behalf on 3 April 2023 by:

Salah Sharif	**Razi AlMerbati**	**Ahmed Khalil AlKhalili**
Authorized member of the Board of Directors	Chief Executive Officer	Chief Financial Officer

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

GFH Capital S.A. (the "Company") is a Saudi Closed Joint Stock Company ("CJSC") registered in Riyadh, Kingdom of Saudi Arabia which holds Commercial Registration No. 1010593423 dated 03/01/1441H (corresponding to 3 September 2019). The Company operates under Saudi Arabia General Investment Authority License No. 102111401290552 dated 5/12/1440H (corresponding to 6 August 2019), and is regulated by the Capital Market Authority ("CMA") under the license No. 19200-30. The Company is a wholly owned subsidiary by GFH Financial Group B.S.C., a joint stock company domiciled and registered in the Kingdom of Bahrain.

The principal activities of the Company are investment management, operating funds, arrange and provide advisory services in the securities business.

The following is the registered address of the Company, which is also its principal place of business:

Office 2202, Floor 22
Kingdom Tower, Riyadh
Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

a) Statement of compliance

The 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 Organisation for Chartered and Professional Accountants ("SOCPA") ("herein after referred to as IFRS as endorsed in KSA").

b) Basis of measurement and presentation

These financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement of investments at fair value through profit and loss ("FVTPL").

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional and presentation currency. All financial information is presented in SAR, unless otherwise stated.

d) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following significant accounting policies to all periods presented in these financial statements.

a.) *Financial instruments*

Initial Recognition
A financial asset or financial liability (unless it's a trade receivable / other receivable without significant financing component) is initially measured at fair value plus, for an item not carried at fair value through profit or loss ("FVTPL"), transactions cost that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Classification and subsequent measurement of financial assets
Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial asset at FVOCI
A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at fair value through profit or loss.

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

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

Financial asset at FVTPL
All other financial assets that are not classified as amortized cost or FVOCI are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a.) Financial instruments (continued)

<u>*Business model assessment*</u>
The management assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

<u>*Assessment whether contractual cash flows are solely payments of principal and interest*</u>
For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Commission / Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

<u>*Reclassifications*</u>
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Classification of financial liabilities
The Company classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a.) Financial instruments (continued)

Derecognition
The Company derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Transactions is which the Company transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

Transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously. Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

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

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

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

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company that are subjected to ECL review include cash at bank and due from related parties. ECL on cash and cash equivalents and due from related parties are assessed based on the above staging criteria. No allowance for ECL has been recognized by the Company as at 31 December 2022 and 2021 as these financial assets are held with counterparties having sound credit rating. Accordingly, the Company is not exposed to significant credit risk.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b.) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. In the absence a of principal market, the most advantageous market for asset or liability would be used considering that the most advantageous market is accessible to the Company.

In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c.) Cash and cash equivalents

Cash and cash equivalents comprise demand deposits with banks that are readily convertible into known amounts of cash, which are subject to an insignificant risk of changes in value and which have a maturity of three months or less at acquisition, which are available to the Company without any restrictions.

d.) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is provided on straight-line basis at rates considered appropriate to reduce the cost of the assets to net realizable value over their estimated economic lives, which are as follows:

	Estimated useful life
Leasehold improvements	7 years
Furnitures	7 years
Computer equipments	5 years
Right-of-use assets	over the lease period

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e.) Impairment of non-financial assets

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

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

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

f.) Lease

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

Right-of-use assets
The Company applies cost model, and measures right-of-use asset at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability
On initial recognition, the lease liability is the present value of all remaining payments to the lessor. Subsequent to the commencement date, the Company measures the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

g.) Accounts payable and accrued expenses

These are liabilities which are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h.) Employee benefits

Employees' end of service benefits
The Company operates an employees' end of service benefit plan for its employees based on prevailing Saudi labor laws. The Company measures the employees' end of service benefits in accordance with the Saudi Labor law. Based on management assessments, the measurement of employees' end of service benefits using the projected unit credit method based on IAS 19 would not have been materially different from the amount recognized in the financial statements.

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

i.) Zakat

The Company's is subject to Zakat in accordance with the Regulations of the 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 therefrom is provided by a charge to profit or loss.

j.) Value added tax ("VAT")

The Company collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a quarterly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments.

k.) Revenue

The Company recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the 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 to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognize revenue	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

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

Revenue from arranging services and advisory services
Revenue from arranging activities is recognized based on services rendered under the applicable service contracts using the five-step approach to revenue recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l.) Expenses

Expenses are those arising from the Company's operating activities including consultancy and professional fees, salaries and allowances, and General and other administrative expenses. These expenses are recognized as incurred.

m.) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are subsequently re-translated into the functional currency using the exchange rates prevailing at the reporting date. Exchange gains and losses on, monetary assets and liabilities are recognized in profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

n.) Provisions and contingencies

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities
A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability.

Contingent assets
Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

o.) Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company is required to transfer 10% of net income to a statutory reserve until such reserve equals 30% of the paid-up capital as a minimum. This reserve is not available for distribution. As at 31 December 2022, the Company has transferred SAR 3.69 million to statutory reserve (31 December 2021: SAR 4.75 million).

4. SIGNIFICANT STANDARDS, AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

The standards applied in these financial statements are those in issue as at the reporting date and are effective for annual periods beginning on or after 1 January 2022.

Following new standards and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

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

The Company has not early adopted any standards, interpretations or amendments before their effective date.

New standards, interpretations and amendments adopted by the Company

Following standard, interpretation or amendments are effective from the current year and are adopted by the Company. However, these did not have any impact on the financial statements of the year.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

5. PROPERTY AND EQUIPMENT

	Work in progress	Leasehold improvements	Furnitures	Computer equipments	Total
Cost					
Balance at 1 January 2022	**--**	**1,364,965**	**556,355**	**23,651**	**1,944,971**
Balance at 31 December 2022	**--**	**1,364,965**	**556,355**	**23,651**	**1,944,971**
Accumulated depreciation					
Balance at 1 January 2022	**--**	**182,076**	**77,857**	**2,061**	**261,994**
Charge for the year		**194,995**	**79,479**	**4,726**	**279,200**
Balance at 31 December 2022		**377,071**	**157,336**	**6,787**	**541,194**
Net book value as at 31 December 2022		**987,894**	**399,019**	**16,864**	**1,403,777**
Cost					
Balance at 1 January 2021	1,083,651	--	--	--	1,083,651
Transfer from work in progress	(1,083,651)	1,083,651	--	--	--
Additions during the year	--	281,314	556,355	23,651	861,320
Balance at 31 December 2021	--	1,364,965	556,355	23,651	1,944,971
Accumulated depreciation					
Balance at 1 January 2021	--	--	--	--	--
Charge for the year	--	182,076	77,857	2,061	261,994
Balance at 31 December 2021	--	182,076	77,857	2,061	261,994
Net book value as at 31 December 2021	--	1,182,889	478,498	21,590	1,682,977

6. LEASE

Right-of-use asset

	2022	2021
Cost		
Balance at 1 January	**1,777,902**	1,818,585
Addition	**2,088,416**	--
Impact on lease modification	-	(40,683)
Balance at 31 December	**3,866,318**	1,777,902
Accumulated depreciation		
Balance at 1 January	(1,277,700)	(631,453)
Depreciation charge	(500,202)	(646,247)
Balance at 31 December	(1,777,902)	(1,277,700)
Net book value	**2,088,416**	500,202

Lease liability

	2022	2021
Balance at 1 January	--	1,879,088
Addition	**2,088,416**	
Impact of lease modification	--	(189,197)
Finance charge on lease liability	--	27,309
Payment of lease liability *	--	(1,717,200)
Balance at 31 December	**2,088,416**	--
Maturity analysis of discounted lease liability		
Lease payments due within one year	**699,600**	--
Lease payments due within two to five years	**1,388,816**	--

*During the year, the Shareholder has paid the lease liability on behalf of the Company.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
Equity securities	**1,122,155**	376,400

Investments comprise equity instruments listed on the Saudi Stock Exchange.

Below table shows the corresponding cost and fair value as at 31 December 2022 and 31 December 2021:

31 December 2022	**Cost**	**Fair value**	**Unrealized gain**
Equity securities	**865,947**	**1,122,155**	**256,208**

31 December 2021	Cost	Fair value	Unrealized gain
Equity securities	302,000	376,400	74,400

8. CASH AND CASH EQUIVALENTS

This represents the Company's current deposit in a local bank that is unrestricted in nature and maintained for operational purposes. As at 31 December 2022 and 2021, the cash at bank amounted to SAR 14.61 million and SAR 19.48 million, respectively.

9. SHARE CAPITAL

As at 31 December 2022, the authorized, issued and fully paid share capital of the Company consists of 2 million shares (2021: 2 million shares) of SAR 10 par value each. The Company is wholly owned by GFH Financial Group B.S.C.

10. ZAKAT

a. Zakat status

The Company has filed its zakat return for the periods ended 31 December 2020 and 31 December 2021 with the Zakat, Tax and Custom Authority ("ZATCA").

b. Zakat base

The significant components of the Zakat base as at 31 December 2022 are as follows:

	2022	2021
Net profit for the year before zakat	**24,931,848**	49,081,866
Charge for employees' end of service benefits	**276,329**	126,000
Unrealized gain on investments at FVTPL	**(256,208)**	(74,400)
Adjusted net income before zakat for the year	**24,951,969**	49,133,466
Add:		
Share capital	**20,000,000**	20,000,000
Retained earnings / (accumulated losses)	**40,922,609**	(2,609,382)
Statutory Reserve	**4,745,723**	--
Employees' end of service benefits	**227,636**	101,636
Accrued liability more than one year	**221,630**	23,004
Lease Liability	**2,088,416**	
Less:		
Property and equipment, net	**(1,403,777)**	(1,682,977)
Right of use assets	**(2,088,416)**	(500,202)
Zakat base	**89,665,790**	64,465,545
Zakat expense at 2.5%	**2,291,917**	1,624,632
Provision for zakat	**2,291,917**	1,624,632

c. Provision for Zakat

Movement in Zakat payable during the year is as follows:

	2022	2021
Cost		
Opening balance of the year	**1,624,632**	--
Charge for the year	**2,291,917**	1,624,632
Payments during the year	**(1,624,632)**	--
Closing balance of the year	**2,291,917**	1,624,632

11. RELATED PARTY TRANSACTIONS

Related parties of the Company include its Shareholder, Directors and key management personnel of the Company. These transactions are carried out on mutually agreed terms and approved by the management of the Company.

Significant related party transactions and balances during the year are as follows. These transactions are conducted with GFH Financial Group B.S.C. ("Shareholder").

	Note	**2022**	2021
Due from a related party			
At the start of the year		**44,870,346**	--
Arranging fees	*a*	**72,124,174**	40,682,479
Less: rebate	*b*	**(14,062,500)**	--
Arranging fees, net		**58,061,674**	40,682,479
Advisory fees	*c*	**3,706,770**	14,292,599
Advances of expenses	*d*	**(24,119,330)**	(10,925,212)
Absorption of expenses	*e*	**-**	820,480
Net due from GFH Financial Group B.S.C.		**82,519,460**	44,870,346

a. The Company entered into a Service Level Agreement ("SLA") with the Shareholder whereby the Company arranges deals between customers originating in the Kingdom of Saudi Arabia and the Shareholder in the form of investments and deposits. In return, the shareholder pays the Company an agreed consideration computed as 5% of the subscription amount and 0.25% of the placed deposits based on the SLA.

b. During the period, the Company arranged an equity transaction for its Shareholder. As part of this deal, the Company recognized arranging fees of SR 14 million as revenue. Consequently, due to higher costs incurred by the Shareholder in executing this transaction, the Company offered a rebate of SR 14 million to the Shareholder.

c. This represents advisory fee income earned by the Company from rendering an advisory services to the Shareholder such as: advising on a portfolio acquisition and its placement strategy, and reviewing fund strategy.

d. In the ordinary course of business of the Company, the shareholder advances the payment of certain expenses of the Company which are to be settled subsequently.

e. The Shareholder has made a recharge to the Company through absorption of certain expenses incurred by the Company and waiver of the amount due to it.

Compensation of Key Management Personnel ("KMP")

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

Close family members ("CFM") of KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the Company.

The following are the key management personnel remuneration and benefits for the period presented under 'salaries and benefits expense' in the statement of comprehensive income:

	2022	2021
Short-term benefits	**2,147,313**	1,920,000
End of service benefits	**199,574**	144,925
	2,346,887	2,064,925

12. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
Travel expense	**1,246,471**	489,182
Consultancy and professional fees	**1,112,037**	339,631
Licenses and other regulatory expenses	**170,350**	178,917
Insurance expenses	**279,097**	161,363
Utilities	**170,392**	65,248
Others	**421,661**	151,531
	3,400,008	1,385,872

13. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Company is responsible for the overall risk management framework and for approving the risk management strategies and principles. The Board of Directors considers the adequacy and effectiveness of the policies and controls that are in place relating to risk management. The Board of Directors has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits and is responsible for day-to-day oversight of the risk management framework.

The Company has exposure to the following risks from financial instruments:

a) credit risk;
b) liquidity risk; and
c) market risk.

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

Credit risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

The Company is exposed to credit risk for its cash at bank, due from a related part and security deposit. The management seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

Credit risk is monitored on a regular basis by the management to ensure it is in line with the investment guidelines of the Board of Directors.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	2022	2021
Cash and cash equivalents	**14,610,334**	19,479,521
Due from a related party	**82,519,460**	44,870,346
Total exposure to credit risk	**97,129,794**	64,349,867

The Company does not have a formal internal grading mechanism considering that it has recently been incorporated. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. Based on management assessment, there is no significant credit risk on these exposures as these are held with counterparties with sound credit rating.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can arise from market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining year at the statement of financial position to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than employees' end of service benefits are contractually payable on a current basis.

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk
Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Interest rate risk
Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. As at 31 December 2022 and 2021, the Company does not have financial assets which are interest-bearing. Therefore, the Company does not have exposure to interest rate risk.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Furthermore, Saudi Riyals is pegged to USD. Therefore, the Company does not have significant exposure to currency risk.

Equity price risk
Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Company's equity price risk arises on its investment held at FVTPL. The Company seeks to manage this risk by exercising business judgment and management experience. The Company utilizes limit structures including those relating to positions, portfolios and maturities to manage its equity price risk exposures.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The principal or the most advantageous market are accessible by the Company.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value hierarchy – Financial instruments measured at fair value
The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All below fair value measurements are recurring.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	**1,122,155**	**--**	**--**	**1,122,155**

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Investments at FVTPL	376,400	--	--	376,400

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, due from a related party and financial liabilities consists of accounts payable and accrued expenses. As at 31 December 2022 and 2021, the fair values of these financial instruments approximate their carrying values due to relatively short-term nature of these financial instruments and not significantly exposed to any financial risk. There have been no transfers between Level 1, Level 2 and Level 3 during the reporting periods

15. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

The CMA had issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to these Rules, the CMA had prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company had calculated its minimum capital required and capital adequacy ratios as follows:

	2022 **SAR '000**	2021 SAR '000
Capital Base:		
Tier 1 capital	**88,308**	65,668
Total capital base	**88,308**	65,668
Minimum capital requirement:		
Market risk	**1,852**	965
Credit risk	**13,486**	7,801
Operational risk	**9,277**	7,362
Total minimum capital required	**24,615**	16,128
Capital adequacy ratio:		
Total capital ratio (time)	**3.59**	4.07
Tier 1 capital ratio (time)	**3.59**	4.07
Surplus in capital	**63,693**	49,540

- Tier 1 capital consists of paid-up share capital, retained earnings and reserves;

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

- The Company's business objectives when managing capital adequacy are to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

16. EVENTS AFTER REPORTING PERIOD

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the Law and will amend its Articles of Association ("the Articles"). There are no further events subsequent to the reporting period which require adjustment or disclosure to the financial statements.

17. BOARD OF DIRECTOR'S APPROVAL

The financial statements have been approved by the Board of Directors on 12 Ramadan 1444H (corresponding to 3 April 2023).