GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
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 2023

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

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

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholders 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 2023, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes to the financial statements, comprising material 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 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the 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, 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 the SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of the 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.

KPMG

Independent Auditor's Report

To the shareholders 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, 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

Saleh Mohammed S Mostafa
License no: 524

Riyadh: 31 March 2024
Corresponding to: 21 Ramadan 1445H

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

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
In Saudi Arabian Riyals

	Notes	**2023**	2022
ASSETS			
Non-current assets			
Property and equipment, net	*5*	**1,128,358**	1,403,777
Right-of-use assets, net	*6*	**1,392,277**	2,088,416
Total non-current assets		**2,520,635**	3,492,193
Current assets			
Investments	*7*	**70,110,399**	1,122,155
Due from a related party	*12*	**49,484,548**	82,519,460
Prepayment and other receivables		**1,203,913**	771,023
Cash and cash equivalents	*8*	**25,855,524**	14,610,334
Total current assets		**146,654,384**	99,022,972
TOTAL ASSETS		**149,175,019**	102,515,165
SHAREHOLDER’S EQUITY AND LIABILITIES			
Shareholder’s equity			
Share capital	*9*	**20,000,000**	20,000,000
Statutory reserve		**6,000,000**	6,000,000
Retained earnings		**97,306,678**	62,308,263
Total shareholder’s equity		**123,306,678**	88,308,263
Non-current liability			
Employees’ end of service benefits		**743,942**	503,965
Lease liability	*6*	**--**	1,388,816
Total non-current liabilities		**743,942**	1,892,781
Current liabilities			
Accounts payable and accrued expenses	*10*	**20,332,096**	9,322,604
Lease liability	*6*	**1,458,257**	699,600
Zakat payable	*11*	**3,334,046**	2,291,917
Total current liabilities		**25,124,399**	12,314,121
Total liabilities		**25,868,341**	14,206,902
TOTAL SHAREHOLDER’S EQUITY AND LIABILITIES		**149,175,019**	102,515,165

The notes on pages 7 to 21 form an integral part of these financial statements.

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
In Saudi Arabian Riyals

	Notes	**2023**	2022
Revenue			
Arranging fees, net	*12*	**95,661,035**	58,061,674
Profit income	*13*	**4,016,115**	--
Advisory fees	*12*	**--**	3,706,770
Total revenue		**99,677,150**	61,768,444
Gain on investments at FVTPL	*7*	**336,205**	256,208
Other income		**97,543**	15,878
Total operating income		**100,110,898**	62,040,530
Expenses			
Salaries and employee related expenses	*14*	**(43,644,292)**	(32,929,272)
Depreciation and amortization expense	*5,6*	**(976,283)**	(779,402)
Travel expenses		**(6,963,913)**	(1,246,471)
Shared service cost		**(6,721,035)**	--
Other expenses	*15*	**(3,506,960)**	(2,153,537)
		(61,812,483)	(37,108,682)
Net profit for the year before zakat		**38,298,415**	24,931,848
Zakat charge	*11*	**(3,300,000)**	(2,291,917)
Net profit for the year		**34,998,415**	22,639,931
Other comprehensive income		**--**	**--**
Total comprehensive income for the year		**34,998,415**	22,639,931

The notes on pages 7 to 21 form an integral part of these financial statements.

GFH CAPITAL S.A.
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
In Saudi Arabian Riyals

	Share capital	**Statutory reserve**	**Retained earnings**	**Total**
Balance at 1 January 2023	**20,000,000**	**6,000,000**	**62,308,263**	**88,308,263**
Total comprehensive income for the year	**--**	**--**	**34,998,415**	**34,998,415**
Transferred to statutory reserve	**--**	**--**	**--**	**--**
Balance at 31 December 2023	**20,000,000**	**6,000,000**	**97,306,678**	**123,306,678**

	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

The notes on pages 7 to 21 form an integral part of these financial statements.

	Notes	**2023**	2022
Operating activities			
Net profit for the year before zakat		**38,298,415**	24,931,848
Adjustments for:			
Depreciation	*5, 6*	**976,283**	779,402
Employees' end of service benefits expense		**352,059**	276,329
Gain on investments at FVTPL	*7*	**(336,205)**	(256,208)
Changes in operating assets and liabilities:			
Decrease / (increase) in due from a related party		**33,034,912**	(37,649,114)
Increase in prepayment and other receivables		**(432,890)**	(136,865)
Increase / (decrease) in accounts payable and accrued expenses		**11,009,492**	9,299,600
Cash generated from / (used in) operating activities		**82,902,066**	(2,755,008)
Zakat paid	*11*	**(2,257,871)**	(1,624,632)
Employees' benefits paid		**(112,082)**	--
Net cash generated from / (used in) operating activities		**80,532,113**	(4,379,640)
Investing activities			
Purchase of property and equipment		**(4,725)**	--
Acquisition of investment at Amortized Cost		**(70,110,399)**	--
Acquisition of investment at FVTPL		**(594,305)**	(489,547)
Disposal of investment at FVTPL		**2,052,665**	--
Net cash used in investing activities		**(68,656,764)**	(489,547)
Financing activities			
Finance charge	*6*	**69,441**	--
Lease liability payments	*6*	**(699,600)**	--
Net cash used in financing activities		**(630,159)**	--
Net increase / (decrease) in cash and cash equivalents		**11,245,190**	(4,869,187)
Cash and cash equivalents at the beginning of the year		**14,610,334**	19,479,521
Cash and cash equivalents at the end of the year	*8*	**25,855,524**	14,610,334

The notes on pages 7 to 21 form an integral part of these financial statements.

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. (" the Ultimate Parent Company"), 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.

The new Companies Law was promulgated dated 19 January 2023. Management is in the process of assessing the impact and any required changes to the Company by-laws.

2. BASIS OF PREPARATION

a) Statement of compliance

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

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. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. All financial information is presented in SAR, unless otherwise stated.

d) Use of judgements, estimates and assumption.

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 MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following material 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 profit on the principal amount outstanding.

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.

Business model assessment
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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a.) *Financial instruments (continued)*

Classification and subsequent measurement of financial assets (continued)

Business model assessment (continued)

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.

Assessment whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission / Profit' 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 profit, 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 profit rates.

Reclassifications

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.

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 profit 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a.) Financial instruments (continued)
Derecognition (continued)

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, investments at amortised cost ("AC") and due from related parties. ECL on cash and cash equivalents, investments at amortised cost ("AC") 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 2023 and 2022 as these financial assets are held with counterparties having sound credit rating. Accordingly, the Company is not exposed to significant credit risk.

c.) 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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c.) Property and equipment (continued)

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.

d.) 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 profit 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.

e.) 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.

f.) 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

h.) 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.

i.) Statutory reserve

In accordance with By-laws, 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 2023, the Company has transferred SAR “Nil” to statutory reserve (31 December 2022: SAR 1.25 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 2023.

Following new standards and amendments that are issued, but effective after 1 January 2023, are disclosed below:

Standards / Amendments	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1	Classification of Liabilities as current or non-current and non-current liabilities covenant	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sales or contribution of assets between investors and its associates or joint venture	Available for optional adoption / effective date deferred indefinitely

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.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The Company has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments also provide guidance on the application of materiality to disclosure of accounting policies. Management reviewed the accounting policies and made updates to the information disclosed in Summary of Material Accounting Policies (2022: Significant Accounting Policies) in certain circumstances in line with amendments.

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furnitures	Computer equipments	Total
Cost				
Balance at 1 January 2023	**1,364,965**	**556,355**	**23,651**	**1,944,971**
Additions during the year	**--**	**--**	**4,725**	**4,725**
Balance at 31 December 2023	**1,364,965**	**556,355**	**28,376**	**1,949,696**
Accumulated depreciation				
Balance at 1 January 2023	**377,071**	**157,336**	**6,787**	**541,194**
Charge for the year	**194,995**	**79,479**	**5,670**	**280,144**
Balance at 31 December 2023	**572,066**	**236,815**	**12,457**	**821,338**
Net book value as at 31 December 2023	**792,899**	**319,540**	**15,919**	**1,128,358**
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

6. LEASE

Right-of-use asset

	2023	2022
Cost		
Balance at 1 January	**3,866,318**	1,777,902
Addition	**-**	2,088,416
Balance at 31 December	**3,866,318**	3,866,318
Accumulated depreciation		
Balance at 1 January	**(1,777,902)**	(1,277,700)
Charge for the year	**(696,139)**	(500,202)
Balance at 31 December	**(2,474,041)**	(1,777,902)
Net book value	**1,392,277**	2,088,416

Lease liability

	2023	2022
Balance at 1 January	**2,088,416**	--
Addition	**--**	2,088,416
Finance charge on lease liability	**69,441**	--
Payment of lease liability	**(699,600)**	--
Balance at 31 December	**1,458,257**	2,088,416
Maturity analysis of undiscounted lease liability		
Lease payments due within one year	**1,494,600**	1,431,000
Lease payments due within two to five years	**--**	763,200

7. INVESTMENTS

		2023	2022
Investments at fair value through profit or loss ("FVTPL")	*a*	**--**	1,122,155
Investments at amortised cost ("AC")	*b*	**70,110,399**	--
		70,110,399	1,122,155

a. Investments at fair value through profit or loss ("FVTPL")

During the year, the Company disposed of equity shares which were traded on the Saudi Stock Exchange. This resulted in a realized gain of SAR 336,205 (2022: Nil)

Below table shows the corresponding cost and fair value as at 31 December 2023 and 31 December 2022:

31 December 2023	**Cost**	**Fair value**	**Unrealized gain**
Equity securities	**--**	**--**	**--**

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

b. Investments at amortised cost ("AC")

Investments held at amortized cost represent short term placements of SR 70.1 million (31 December 2022 – SR Nil) which includes accrued profit amounting to SR 0.125 million (31 December 2022 – SR Nil). These deposits are for original maturities greater than 90 days and are due to mature between March 2024 and June 2024 (31 December 2022: Nil). Furthermore, they carry profits rates ranging between 5.50% to 6.50% per annum (2022: Nil).

8. CASH AND CASH EQUIVALENTS

		2023	2022
Cash held with custodian		**993,069**	15,878
Cash at bank		**737,907**	14,594,456
Short term placements	*a*	**24,124,548**	--
		25,855,524	14,610,334

a. These represents short term placements having original maturities as less than 90 days and are due to mature on 7 January 2024 (2022: Nil). Furthermore, they carry profit rate of 5.6% (2022: Nil)

9. SHARE CAPITAL

As at 31 December 2023, the authorized, issued and fully paid share capital of the Company consists of 2 million shares (2022: 2 million shares) of SAR 10 par value each. The Company is wholly owned by GFH Financial Group B.S.C.

10. ACCOUNT PAYABLE AND ACCRUED EXPENSES

	2023	2022
Accrued salaries and employee related benefits	**18,750,000**	9,100,973
Professional fees payable	**437,075**	87,750
Referral fee payable	**590,625**	--
Others	**554,396**	133,881
	20,332,096	9,322,604

11. ZAKAT

a. Zakat status

The Company has filed its zakat return for the periods ended 31 December 2020, 31 December 2021 and 31 December 2022 with the Zakat, Tax and Custom Authority ("ZATCA"). Zakat and income tax return for the year ended 31 December 2023 will be submitted subsequent to the financial statement's issuance date. Further no zakat assessment has been done for the above-mentioned periods.

b. Zakat base

The significant components of the Zakat base as at 31 December 2023 are as follows:

	2023	2022
Net profit for the year before zakat	**38,298,415**	24,931,848
Charge for employees' end of service benefits	**352,060**	276,329
Unrealized gain on investments at FVTPL	**--**	(256,208)
Adjusted net income before zakat for the year	**38,650,475**	24,951,969
Add:		
Share capital	**20,000,000**	20,000,000
Retained earnings	**62,308,263**	40,922,609
Statutory reserve	**6,000,000**	4,745,723
Employees' end of service benefits	**112,083**	227,636
Accrued liability more than one year	**--**	221,630
Lease liability	**1,458,257**	2,088,416
Less:		
Property and equipment, net	**(1,128,358)**	(1,403,777)
Right of use assets	**(1,392,277)**	(2,088,416)
Zakat base	**132,292,895**	89,665,790
Zakat expense at 2.57% (rounded)	**3,300,000**	2,291,917
Provision for zakat	**3,300,000**	2,291,917

c. Provision for Zakat

Movement in Zakat payable during the year is as follows:

	2023	2022
Cost		
Opening balance of the year	**2,291,917**	1,624,632
Charge for the year	**3,300,000**	2,291,917
Payments during the year	**(2,257,871)**	(1,624,632)
Closing balance of the year	**3,334,046**	2,291,917

12. 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.

12. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Transactions included in statement of comprehensive income:

	Note	**2023**	2022
Arranging fees on:			
Equity		**44,442,303**	50,910,187
Wakala		**40,354,965**	717,726
Murabaha		**15,775,891**	24,286,573
Less: referral fees		**(4,321,500)**	(3,790,312)
Less: rebate	*a*	**--**	(14,062,500)
Arranging fees, net	*b*	**96,251,660**	58,061,674
Advisory fees	*c*	**--**	3,706,770
Shared service cost	*d*	**(6,721,035)**	--

Transactions included in statement of financial position:

		2023	2022
Due from GFH Financial Group B.S.C.	*e*	**49,484,548**	82,519,460

a. During the prior year, 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.

b. 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 4% (2022: 5%) for Private Equity arranging, 1% (2022: 5%) for Real Estate arranging, 0.20% (2022: 0.25%) for Murabaha arranging and 0.20% to 0.50% (2022: 0.25%) for Wakala arranging based on the SLA.

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. This represents support service cost received from the shareholder.

e. This represents receivable from shareholder in respect of services provided during the year

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:

	2023	2022
Short-term benefits	**7,601,098**	2,147,313
End of service benefits	**78,434**	199,574
	7,681,555	2,346,887

13. PROFIT INCOME

During the period, Profit income is earned from:

		2023	2022
Short term placements	*8*	**2,011,116**	--
Investments at amortised cost ("AC")	*7.b*	**2,004,999**	--
		4,016,115	--

14. SALARIES AND EMPLOYEE RELATED EXPENSES

	2023	2022
Wages and Salaries	**13,878,474**	9,548,165
Bonus and other staff costs	**29,765,818**	23,381,108
	43,644,292	32,929,272

15. OTHER EXPENSES

	2023	2022
Consultancy and professional fees	**1,492,282**	1,112,037
Licenses and other regulatory expenses	**128,000**	170,350
Insurance expenses	**210,869**	279,097
Marketing	**954,486**	--
Utilities	**45,031**	170,392
Others	**676,292**	421,661
	3,506,960	2,153,537

16. 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.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

	2023	2022
Cash and cash equivalents	**25,855,524**	14,610,334
Investments at amortised cost (“AC”)	**70,110,399**	--
Due from a related party	**49,484,548**	82,519,460
Total exposure to credit risk	**142,933,669**	97,129,794

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 the above-mentioned exposures as these are held with counterparties with sound credit rating which range from A-1 to B-2 (2022: A-1).

Amount due from a related party are classified as short term in nature and are expected to be recovered within a year.

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.

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 profit rates, foreign exchange rates, and equity prices.

Profit rate risk

Profit rate risk is the risk that the profit rate changed is not commensurate with financing cost due to changes in the market commission rate. The Company has fixed rate receivables from margin lending and money market placements; hence, the Company is not exposed to any profit 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 Bahraini Riyals and US Dollars. Furthermore, Bahraini riyal and US Dollars are pegged to Saudi Riyal. 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. As at 31 December 2023, the company does not have any investments held at FVTPL.

17. 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.

	31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	**--**	**--**	**--**	**--**

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

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, investments held at amortized cost, due from a related party and financial liabilities consists of accounts payable, accrued expenses and lease liability. As at 31 December 2023 and 2022, 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

18. ASSETS UNDER MANAGEMENT

The Company manages investment portfolios on behalf of its customer, which amounts to SR 227.6 million as at 31 December 2023 (31 December 2022: SR Nil). This investment portfolio was held with GFH Financial group B.S.C on behalf of the company, however it was subsequently closed during January 2024. As the Company acts in a fiduciary capacity, these assets are not included in the statement of financial position.

19. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the “Rules”) dated 17 Safar 1434H (corresponding to 30 December 2012) amended by resolution of the Board of the Capital Market Authority Number 1-129-2022 Dated 04 Jumada II 1444H (Corresponding to 28 December 2022). According to the Rules, the CMA has 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 has calculated its minimum capital required.

Current year figures are presented based on amended regulations issued by CMA effective from April 1, 2023, and applied prospectively. The prior year’s figures are not restated but are presented based on previous Rules and guidance.

Capital adequacy ratio are as follows:

	2023 **SAR ‘000**	2022 SAR ‘000
Capital Base:		
Tier 1 capital	**123,307**	88,308
Total capital base	**123,307**	88,308
Risk Weighted Assets / Minimum capital requirement:		
Market risk	**5,516**	1,852
Credit risk	**74,546**	13,486
Concentration Risk	**214,573**	--
Operational risk	**135,750**	9,277
Total Risk Weighted Assets / minimum capital required	**430,385**	24,615
Capital adequacy ratio:		
Total capital ratio (% / time)	**28.65%**	3.59
Tier 1 capital ratio (% / time)	**28.65%**	3.59
Surplus in capital	**88,875**	63,693

- 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.

20. SUBSEQUENT EVENTS

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

21. BOARD OF DIRECTOR’S APPROVAL

The financial statements have been approved by the Board of Directors on 27 March 2024.