ITQAN CAPITAL
(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

ITQAN CAPITAL
(Closed Joint Stock Company)
Financial statements and independent auditor's report
For the year ended 31 December 2022

Independent auditor's report to the shareholders of Itqan Capital

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Itqan Capital (the "Company") as at 31 December 2022, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards, 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).

What we have audited

The Company's financial statements comprise:

- Statement of financial position as at 31 December 2022.
- Statement of comprehensive income for the year then ended.
- Statement of changes in shareholders' equity for the year then ended.
- Statement of cash flows for the year then ended.
- Notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with this Code.

Responsibilities of the 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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment 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 risks of not detecting a material misstatement resulting from fraud are higher than the risks 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 the 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 to 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.

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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Mufaddal A. Ali
License Number 447

8 Ramadan 1444H
30 March 2023

ITQAN CAPITAL
(Closed Joint Stock Company)
Statement of financial position
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021
Assets			
Non-current assets			
Property and equipment	4	**867,664**	1,100,219
Right-of-use assets	5	**876,436**	1,155,093
Investment properties	6	**-**	10,564,144
Financial assets at fair value through profit or loss	7	**29,988,184**	19,291,162
Total non-current assets		**31,732,284**	32,110,618
Current assets			
Financial assets at fair value through profit or loss	7	**13,419,162**	14,125,399
Prepayments and others assets	8	**12,665,231**	3,819,725
Murabaha deposits	10	**2,641,479**	2,527,421
Cash and cash equivalents	9	**450,472**	1,713,992
Total current assets		**29,176,344**	22,186,537
Total assets		**60,908,628**	54,297,155
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	11	**56,042,030**	56,042,030
Accumulated losses		**(3,684,262)**	(7,802,899)
Net shareholders' equity		**52,357,768**	48,239,131
Liabilities			
Non-current liabilities			
Lease liabilities	5	**684,663**	1,002,201
Employee benefit obligations	13	**1,118,196**	1,012,778
Total non-current liabilities		**1,802,859**	2,014,979
Current liabilities			
Trade and other payables	14	**5,627,313**	3,276,676
Lease liabilities	5	**347,323**	329,642
Zakat and tax liabilities	15	**773,365**	436,727
Total current liabilities		**6,748,001**	4,043,045
Total liabilities		**8,550,860**	6,058,024
Total shareholders' equity and liabilities		**60,908,628**	54,297,155

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

ITQAN CAPITAL
(Closed Joint Stock Company)
Statement of comprehensive income
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Revenues			
Income from services	17	**10,178,758**	3,726,663
Dividends income		**500,342**	718,881
Net change in fair value on financial assets at fair value through profit or loss	7	**(888,398)**	1,727,364
Net profit/ (loss) on sale of financial assets at fair value through profit or loss	7	**1,216,104**	(275,278)
Reversal of impairment losses on investment properties and property and equipment	6	**432,259**	1,625,603
Other operating income, net		**762,984**	1,358,064
		12,202,049	8,881,297
Expenses			
Salaries and wages		**(4,880,553)**	(4,641,701)
Depreciation of property and equipment	4	**(296,625)**	(343,880)
Depreciation of right-of-use assets	5	**(278,657)**	(371,025)
Depreciation of investment properties	6	**(222,342)**	(243,178)
Other operating expenses	18	**(1,551,056)**	(1,971,191)
Total operating expenses		**(7,229,233)**	(7,570,975)
Net profits from operations		**4,972,816**	1,310,322
Finance costs	19	**(55,143)**	(73,623)
Profit before zakat and income tax		**4,917,673**	1,236,699
Zakat and income tax expense	15	**(773,354)**	(432,200)
Profit for the year		**4,144,319**	804,499
Items that will not be reclassified to profit or loss			
(Loss) profit on re-measurement of employee benefit obligations	13	**(25,682)**	184,164
Other comprehensive (loss) profit for the year		**(25,682)**	184,164
Total comprehensive income for the year		**4,118,637**	988,663
Earnings per share from profit from operations			
Earnings per share for the year	26	**0.74**	0.14
Earnings per share from total comprehensive income			
Earnings per share for the year	26	**0.73**	0.18

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

(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Accumulated losses	Total
At 1 January 2021	56,042,030	(8,791,562)	47,250,468
Profit for the year	-	804,499	804,499
Other comprehensive income for the year	-	184,164	184,164
Total comprehensive income for the year	-	988,663	988,663
At 31 December 2021	56,042,030	(7,802,899)	48,239,131
At 1 January 2022	**56,042,030**	**(7,802,899)**	**48,239,131**
Profit for the year	**-**	**4,144,319**	**4,144,319**
Other comprehensive loss for the year	**-**	**(25,682)**	**(25,682)**
Total comprehensive income for the year	**-**	**4,118,637**	**4,118,637**
At 31 December 2022	**56,042,030**	**(3,684,262)**	**52,357,768**

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

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		**4,917,673**	1,236,699
Adjustments for non-cash items			
Depreciation of property and equipment	4	**296,625**	343,880
Depreciation of right-of-use assets	5	**278,657**	371,025
Depreciation of investment properties	6	**222,342**	243,178
Current service cost and interest cost of employee termination benefits	13	**166,611**	132,834
Net change in fair value on financial assets at fair value through profit or loss	7	**888,398**	(1,727,364)
(Profit) loss on disposal of financial assets at fair value through profit or loss	7	**(1,216,104)**	275,278
Reversal of impairment losses on investment properties and property and equipment	6	**(432,259)**	(1,625,603)
Interest on lease liabilities	5	**55,143**	73,623
Revenue accrued from murabaha deposits		**(57,439)**	(27,421)
Changes in operating assets and liabilities:			
Prepayments and other assets		**(8,845,506)**	367,915
Trade and other payables		**2,350,637**	(4,559,912)
Cash outflow from operations		**(1,375,222)**	(4,895,868)
End-of-service benefits paid	13	**(86,875)**	(154,201)
Zakat and income tax paid	15	**(436,716)**	(3,103)
Net cash outflow operating activities		**(1,898,813)**	(5,053,172)
Cash flows from investing activities			
Purchase of property and equipment		**(64,070)**	(5,211)
Investment properties		**10,774,061**	(6,650)
Murabaha investments		**(56,619)**	(2,500,000)
Investments in financial assets at fair value through profit or loss		**(37,120,907)**	(11,682,050)
Proceeds from sale of financial assets at FVPL		**27,457,828**	15,838,204
Net cash inflow from investing activities		**990,293**	1,644,293
Cash flows from financing activities			
Principle elements of lease payments	5	**(355,000)**	(512,616)
Net cash outflow from financing activities		**(355,000)**	(512,616)
Net change in cash and cash equivalents		**(1,263,520)**	(3,921,495)
Cash and cash equivalents at the beginning of the year		**1,713,992**	5,635,487
Cash and cash equivalents at the end of the year	9	**450,472**	1,713,992
Reclassification from property and equipment to investment properties	6	-	2,596,338
Transfer of units for short-term Murabaha financing settlement	16	-	16,220,157

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

1 General information

Itqan Capital (the "Company") is a closed joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030167335 dated 16 Safar 1428H (corresponding to 6 March 2007) and Capital Market Authority ("CMA") License No. 07058-37 under CMA Resolution No. 9-17-2007 On 21 Rabi` al-Awwal 1428H (corresponding to 9 April 2007). The Company has been authorized to commence operation starting from 23 Rabi` al-Thani 1429H (corresponding to 29 April 2008). The Company's headquarter is located in Al-Zahraa Commercial District - 7855 Ahmed Al-Attas - Al-Zahraa District - Unit 2563 - Jeddah 2753 - 23425.

The financial statements include the accounts of the Company's head office in Jeddah and its branch in Riyadh under Commercial Registration No. 1010477289 dated 3 Rabi` al-Awwal 1440H (corresponding to 12 November 2018).

The objectives of the Company are as follows:

- Establishing/managing of investment funds/portfolios.
- Arranging services.
- Custody services for the administrative arrangements and procedures related to the investment funds and portfolio management.
- Acting as principal.
- Providing consultancy on securities.

All investment products provided by the Company are in accordance with the Islamic Shari'a and certified by the Company's Shari'a consultant.

The financial statements were approved by the Board of directors on 30 March 2023.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Accounting convention / basis of measurement

These financial statements are prepared on the historical cost basis, except for the measurement of financial assets at FVTPL, which are measured at fair value as described in the relevant accounting policies and the defined benefit obligation which is recognized at the present value in the future.
Liabilities using the projected unit credit method as described in the relevant accounting policies.

2 Summary of significant accounting policies (continued)

2.2 Revenue

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognized at the amount of the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognized, when the Company satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer control over the promised goods and services, either:

- At a point in time; or
- over a time basis equivalent to the stage of completion of the service.

Revenue from rendering of services

Revenue from services is recognized in the accounting period in which the services are rendered. Revenue is recognized when the performance obligation is satisfied i.e. upon receiving the completion certificate from the customer.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a product or over services to a customer and when specific criteria have been met for each of the Company's activities. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the presentation as well as functional currency of the entity.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency of Company at the exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

2.4 Zakat and income taxes

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat for the Company is calculated based on the higher of approximate zakat base or adjusted profit, and charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders, is charged to profit or loss. Additional amounts, if any, are recognized when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2 Summary of significant accounting policies (continued)

2.4 Zakat and income taxes

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to be effective when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that taxable amounts in the future will be available based on which the temporary differences and losses can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when deferred tax balances relate to the same tax authorities.

Current tax assets and liabilities are offset when the entity has a legally enforceable right to offset, and it intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current and deferred tax are recognized in profit or loss, except when the tax relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, respectively. The Company withholds taxes on certain transactions with parties non-resident in the Kingdom of Saudi Arabia, including dividend payments to foreign shareholders of Saudi subsidiaries, if any, as required by the Saudi Arabian Income Tax Law.

2.5 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.6 Property and equipment

a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to an operating condition for their intended use, and borrowing costs on qualifying assets.

When the useful lives of the significant parts of an item of property and equipment differ, they are accounted for as separate items (major components) within property and equipment. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income during the year in which they are incurred.

b) Subsequent costs

The Company adopts the cost model to measure the entire class of property and equipment. After recognition of an asset, an item of property and equipment is held at cost less accumulated depreciation and impairment losses, if any.

c) Depreciation

Depreciation represents a regular provision of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents the cost of an asset, or the other substitute amount for cost, less its residual value.

2 Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	Years
• Building	33
• Equipment	5
• Computer and software	3 - 6
• Furniture and fixtures	10
• Motor vehicles	4

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively.

De-recognition

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Profits and losses on the disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets disposed-of, and are recognized at net value within other income in profit or loss.

Work in progress

Assets under construction or development are capitalised within work in progress in property and equipment. Assets under construction or development are transferred to the appropriate category within property and equipment, once the assets are in the location and / or condition necessary for them to be used in the manner intended by management.

The cost of an item of work in progress comprises its purchase price, construction / development cost and any other costs directly attributable to the costs of construction or acquisition of an item in the manner intended by management.

Work in progress is measured at cost less any recognized impairment. Work in progress is not depreciated. Depreciation only commences when the assets can be used in the manner intended by management, at which point they are transferred to the appropriate asset category.

2.7 Financial instruments

a) Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL).
- Fair value through other comprehensive income (FVOCI).
- Amortized cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and 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.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income.

2 Summary of significant accounting policies (continued)

2.7 Financial Instruments (continued)

b) Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency, or where the Company manages financial liabilities and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

c) Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss. In the case of financial assets or financial liabilities not measured at fair value through profit or loss, their fair value plus or less transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability represents the initial recognition amount. Trade receivables are measured at transaction price.

d) Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortized cost: Assets that are held to collect contractual cash flows where these cash flows represent solely payments of principal and interest (SPPI) are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest method.

Any profits or losses on de-recognition are recognized directly in profit or loss and presented within other profits/(losses), in addition to foreign exchange profits and losses. Impairment losses are presented as a separate line item in the statement of profit and loss and other comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movement in the carrying amount is recognized in OCI, except for the recognition of impairment of profits or losses, interest income and foreign exchange profits and losses, which are recognized in profit or loss. When financial assets are derecognized, the cumulative profit or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other profits/ (losses). Interest income from these financial assets is recognized in finance income using the effective interest method. Foreign exchange profits and losses are presented in other profits / (losses), and impairment expenses are presented as a separate line item in the statement of profit and loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. Profit or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of profit and loss and other comprehensive income and presented at net value within other income/(expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. When the Company's management elects to present fair value profits and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value profits and losses to profit or loss after de-recognition of the investment. Dividends from these investments continue to be recognized within profit or loss in other income when the Company's right to receive such payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (continued)

2.7 Financial Instruments (continued)

e) De-recognition

The Company derecognizes a financial asset only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognized when the obligations specified in the contract is fulfilled, cancelled or expired. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

f) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Company has a legally enforceable right to offset the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

g) Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long term. Financial liabilities are not reclassified.

h) Impairment of financial assets

The Company assesses the ECLs related to its financial assets on a forward-looking basis, which are carried at amortized cost. The impairment method applied depends on whether there has been a significant increase in credit risk. Note 22 shows how the Company determines the impairment methodology for financial assets.

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables.

2.8 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of an asset or cash generating unit ("CGU") fair value less selling costs or value in use, and is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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 estimating 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 selling costs, appropriate valuation methods are used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities, or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. See note 20 for a description of the Company's impairment policies.

2 Summary of significant accounting policies (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the impairment loss is immaterial.

2.11 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

2.12 Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented within current liabilities unless payment is not due within 12 months after the reporting date. These amounts are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Provisions

Provisions for legal claims, service warranties and fulfilment of obligations are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one of item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.14 Employee benefit obligations

Short term employee benefits

Short-term employee benefits are expensed over the period in which the service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay the amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

Post employment benefits

Defined benefit plans

The Company operates a single post-employment benefit scheme of a defined benefit plan, driven by the Labor and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

2 Summary of significant accounting policies (continued)

2.14 Employee benefit obligations (continued)

The Company's obligation under the employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise of actuarial profits and losses, are recognized immediately within comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability then, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

2.15 Investment properties

Investment properties comprise of property held for capital appreciation, rental yields or both, and are carried at cost less accumulated depreciation and impairment losses, if any. Investment properties also include property that is under construction or development for future use as investment properties. In addition, land, if any, held for undetermined use, is classified as investment properties and is not depreciated. When the development of investment properties commences, they are classified under "assets under construction" until development is completed, at which time they are transferred to the respective category, and depreciated using the straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives up to 33 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within other income (expenses) - net in the statement of profit or loss.

2.16 Leases

The Company leases land, buildings and vehicles. Leases are usually for fixed periods but may include extension options. Lease agreements do not impose any covenants. Leased assets may not be used as collateral for borrowing purposes.

Leases are recognized as right-of-use assets and corresponding liabilities on the date the leased asset is available for use by the Company.
Assets and liabilities arising from a lease are initially measured based on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, if any.
- Amounts expected to be paid by the lessee under residual value guarantees, if any.
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies (continued)

2.16 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made on or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.17 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

a) Useful lives and residual values of property and equipment

The management determines the estimated useful lives of property and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

b) Employee benefits – defined benefit plan

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details, see Note 13.

(All amounts are in Saudi Riyals unless otherwise stated)

4 Property and equipment

	Building	Equipment	Leasehold improvements	Computer and software	Furniture and fixtures	Motor vehicles	Total
At 1 January 2022							
Cost	1,245,437	72,032	1,122,345	2,284,987	458,907	197,700	5,381,408
Accumulated depreciation	(1,245,437)	(39,659)	(326,706)	(2,207,590)	(264,097)	(197,700)	(4,281,189)
Net carrying amount	-	32,373	795,639	77,397	194,810	-	1,100,219
Year ended 31 December 2022							
Opening net carrying amount	-	**32,373**	**795,639**	**77,397**	**194,810**	-	**1,100,219**
Additions	-	**16,415**	-	**34,207**	**13,448**	-	**64,070**
Transfers	-	-	-	-	-	-	-
Depreciation charge	-	**(10,207)**	**(213,292)**	**(35,736)**	**(37,390)**	-	**(296,625)**
Closing net carrying amount	-	**38,581**	**582,347**	**75,868**	**170,868**		**867,664**
At 31 December 2022							
Cost	**1,245,437**	**88,447**	**1,122,345**	**2,319,194**	**472,355**	**197,700**	**5,445,478**
Accumulated depreciation	**(1,245,437)**	**(49,866)**	**(539,998)**	**(2,243,326)**	**(301,487)**	**(197,700)**	**(4,577,814)**
Net carrying amount	-	**38,581**	**582,347**	**75,868**	**170,868**	-	**867,664**

(All amounts are in Saudi Riyals unless otherwise stated)

4 Property and equipment (continued)

	Building	Equipment	Leasehold improvements	Computer and software	Furniture and fixtures	Motor vehicles	Total
At 1 January 2021							
Cost	3,841,775	72,032	1,122,345	2,281,605	457,078	197,700	7,972,535
Accumulated depreciation	(1,237,812)	(24,917)	(103,251)	(2,160,410)	(213,219)	(197,700)	(3,937,309)
Net carrying amount	2,603,963	47,115	1,019,094	121,195	243,859	-	4,035,226
Year ended 31 December 2021							
Opening net carrying amount	2,603,963	47,115	1,019,094	121,195	243,859	-	4,035,226
Additions	-	-	-	3,382	1,829	-	5,211
Transfers	(2,596,338)	-		-	-	-	(2,596,338)
Depreciation charge	(7,625)	(14,742)	(223,455)	(47,180)	(50,878)	-	(343,880)
Closing net carrying amount	-	32,373	795,639	77,397	194,810	-	1,100,219
At 31 December 2021							
Cost	1,245,437	72,032	1,122,345	2,284,987	458,907	197,700	5,381,408
Accumulated depreciation	(1,245,437)	(39,659)	(326,706)	(2,207,590)	(264,097)	(197,700)	(4,281,189)
Net carrying amount	-	32,373	795,639	77,397	194,810	-	1,100,219

(All amounts are in Saudi Riyals unless otherwise stated)

5 Leases

The Company leases two buildings for office space. Leases are usually made for fixed periods that range between 3 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At 31 December 2022, the Company did not have any leases classified as right of use assets of a variable nature. The Company's leases do not have extension options to be exercised by the Company prior to the end of the non-cancellable lease term. The Company does not provide residual value guarantees in respect of any of its leases.

	2022	2021
Right-of-use assets		
Cost		
Balance as at 1 January	**2,389,359**	2,389,359
Additions	-	-
Balance as at 31 December	**2,389,359**	2,389,359
Depreciation		
Balance as at 1 January	**(1,234,266)**	(863,241)
Depreciation charge for the year	**(278,657)**	(371,025)
Balance as at 31 December	**(1,512,923)**	(1,234,266)
Net carrying amount	**876,436**	1,155,093
Lease liabilities		
Items		
Balance as at 1 January	**1,331,843**	1,770,836
Interest charged for the year	**55,143**	73,623
Payments during the year	**(355,000)**	(512,616)
Balance as at 31 December	**1,031,986**	1,331,843
Current portion	**347,323**	329,642
Non-current portion	**684,663**	1,002,201

(All amounts are in Saudi Riyals unless otherwise stated)

6 Investment properties

	Buildings and residential houses
At 1 January 2021	
Cost	7,520,998
Accumulated depreciation	(942,267)
Net carrying amount	6,578,731
Year ended 31 December 2021	
Opening net carrying amount	6,578,731
Transfer from property and equipment	2,596,338
Additions	6,650
Reversal of impairment losses on investment properties	1,625,603
Depreciation charge	(243,178)
Closing net carrying amount	10,564,144
At 31 December 2021	
Cost	11,749,589
Accumulated depreciation	(1,185,445)
Net carrying amount	10,564,144
Year ended 31 December 2022	
Opening net carrying amount	**10,564,144**
Transfer from property and equipment	**-**
Additions	**-**
Disposals	**(10,774,061)**
Profits in value from investment properties	**432,259**
Depreciation charge	**(222,342)**
Closing net carrying amount	**-**
At 31 December 2022	
Cost	**1,407,787**
Accumulated depreciation	**(1,407,787)**
Net carrying amount	**-**

Direct operating expenses in respect of investment properties that generate rental income for the year amounts to Saudi Riyals 33,214 (2021: Saudi Riyals 54,765).

During 2021, the fourth unit of property, entities and equipment was converted into investment properties amounting to Saudi Riyals 2.5 million.

As at 31 December 2022, the fair value of investment properties has been estimated at Saudi Riyals nil (2021: Saudi Riyals 10,564,144). The fair value has been measured by the following property valuers:

Name of the valuer	**Accreditation**
Sima Real Estate Valuation Company	Member of Taqeem
Abaad Real Estate Valuation	Member of Taqeem
Qiam Real Estate Valuation	Member of Taqeem
Mfaz Arabia Real Estate Valuation	Member of Taqeem

(All amounts are in Saudi Riyals unless otherwise stated)

7 Financial assets

The Company classifies the following financial assets at fair value through profit or loss:

(1) Debt investments that do not qualify for measurement at either amortized cost or at fair value through other comprehensive income
(2) Equity investments that are held for trading, and
(3) equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

	Note	2022	2021
Financial assets at FVPL, non-current	7-1	**29,988,184**	19,291,162
Financial assets at FVPL, current	7-1	**13,419,162**	14,125,399
		43,407,346	33,416,561

Movement in financial assets is as follows:

	2022		
	Financial assets at FVPL, non-current	**Financial assets at FVPL, current**	**Total**
Balance as at 1 January	**19,291,162**	**14,125,399**	**33,416,561**
Addition	**31,027,494**	**6,093,413**	**37,120,907**
Disposal	**(20,203,042)**	**(7,254,786)**	**(27,457,828)**
Profit realized from disposal	**921,880**	**294,224**	**1,216,104**
Change in fair value through profit or loss	**(1,049,310)**	**160,912**	**(888,398)**
Balance as at 31 December	**29,988,184**	**13,419,162**	**43,407,346**

	2021		
	Financial assets at FVPL, non-current	**Financial assets at FVPL, current**	**Total**
Balance as at 1 January	39,935,608	12,405,171	52,340,779
Addition	-	11,682,050	11,682,050
Disposal	(21,457,306)	(10,601,048)	(32,058,354)
(Loss)/ profit realized from disposal	(581,201)	305,923	(275,278)
Change in fair value through profit or loss	1,394,061	333,303	1,727,364
Balance as at 31 December	19,291,162	14,125,399	33,416,561

7 Financial assets (continued)

Financial assets measured at fair value through profit or loss include the following classes of financial assets:

	2022	2021
Non-current assets		
Investment in real estate funds	**29,978,184**	19,261,162
Other investments	**10,000**	30,000
	29,988,184	19,291,162
Current assets		
Investments in money market funds	**13,419,162**	14,125,399
	43,407,346	33,416,561

7.1 Financial assets at FVTPL

Amounts recognized in profit or loss

During the year, the following profits/(losses) were recognized in profit or loss.

	2022	2021
Net changes in fair value on financial assets carried at FVTPL	**(888,398)**	1,727,364
Net profit/ (loss) from sale of financial assets carried at FVTPL	**1,216,104**	(275,278)
	327,706	1,452,086

8 Prepayments and others assets

	Note	2022	2021
Amounts due from related parties	16	**9,348,211**	1,425,765
Accrued revenues		**503,644**	626,686
Debtors		**2,020,521**	749,041
Prepaid expenses		**305,128**	305,454
Employees' receivables		**50,210**	69,223
Other assets		**437,517**	643,556
		12,665,231	3,819,725

9 Cash and cash equivalents

	2022	2021
Cash at banks	**450,472**	1,713,992

10 Murabaha deposits

	2022	2021
Murabaha deposits	**2,641,479**	2,527,421

Murabaha deposits are deposited with an investment bank in the Kingdom of Bahrain and denominated in Saudi Riyals. Murabaha deposits generate returns as finance income at prevailing market rates.

(All amounts are in Saudi Riyals unless otherwise stated)

11 Share capital

During 2022, it was agreed to sell Itqan Capital with all its inclusions of shares, assets, etc. between the First Party (the Sellers) and the Second Party (the Buyer), which is Zamil Development Holding Company.

The issued and paid-up capital at 31 December 2022 and 31 December 2021 is as follows:

Shareholder's name	Nationality	2022 Shareholding percentage	2022 Amount	2021 Shareholding percentage	2021 Amount
Al Baraka Group	Kingdom of Bahrain	-	-	57.66%	32,316,180
Al Baraka Islamic Bank—Bahrain	Kingdom of Bahrain	-	-	25.40%	14,235,510
Sinad Holding Company	Kingdom of Saudi Arabia	-	-	8.47%	4,745,170
Dallah Al Baraka Holding Company	Kingdom of Saudi Arabia	-	-	7.62%	4,270,650
Dallah Albaraka Holding Co. (Saudi Arabia)	Kingdom of Saudi Arabia	-	-	0.42%	237,260
Mr. Abdullah Mohammed Abdo Yamani	Kingdom of Saudi Arabia	-	-	0.42%	237,260
Zamil Development Holding Company	Kingdom of Saudi Arabia	**100%**	**56,042,030**	-	-
			56,042,030		56,042,030

12 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals at least 30% of its share capital. No transfer has been made to the statutory reserve because the Company has accumulated losses. This reserve is not currently available for distribution to the shareholders of Company.

13 Employee benefit obligations

13.1 General description of the plan

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

	2022	**2021**
1 January	**1,012,778**	1,218,309
Current service cost	**147,237**	115,728
Interest cost	**19,374**	17,106
Actuarial losses (profits)	**25,682**	(184,164)
Benefits paid	**(86,875)**	(154,201)
31 December	**1,118,196**	1,012,778

(All amounts are in Saudi Riyals unless otherwise stated)

13 Employee benefit obligations (continued)

13.2 Amounts recognized in statement of comprehensive income

Amounts recognized in the statement of comprehensive income relative to employees' benefit obligations are as follows:

	2022	2021
Current service cost	**147,237**	115,728
Interest expense	**19,374**	17,106
Total amount recognized in profit or loss	**166,611**	132,834
Re-measurement		
Loss (profit) from changes in experience adjustment	**25,682**	(184,164)
Total amount recognized in other comprehensive income	**25,682**	(184,164)

13.3 Key actuarial assumptions

	2022	2021
Discount rate	**5.00%**	2.00%
Salary growth rate	**4.50%**	3.00%

13.4 Sensitivity analysis for actuarial assumptions

	2022		2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(22,400)**	**23,586**	(28,409)	30,003
Future salary increases (1% movement)	**23,471**	**(22,717)**	29,987	(28,947)

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

14 Trade and other payables

	2022	2021
Accrued leaves	**191,365**	87,607
Claims and other payables	**5,435,948**	3,189,069
	5,627,313	3,276,676

(All amounts are in Saudi Riyals unless otherwise stated)

15 Income tax and zakat matters

15.1 Income tax

	2022	2021
Amended net income / (loss) for the year	**5,671,937**	(1,967,603)
Entertainment expenses	**-**	329
Principle elements of lease payments	**(355,000)**	(97,978)
Depreciation of right-of-use assets	**278,657**	371,025
Interest on lease obligations	**55,143**	73,623
4% increase in repair and maintenance work	**86,826**	107,644
Depreciation differences	**(206,169)**	(476,734)
Provisions utilised	**(86,875)**	(154,201)
Adjusted net income/(loss) for tax purposes	**5,444,521**	(2,143,895)
Adjusted net income/(loss) for the foreign shareholder for the period (1/1 - 12/22/2022)	**828,728**	(336,469)
Tax base	**828,728**	(336,469)
Due tax 20%	**165,746**	-

15.2 Zakat base

The significant components of the Company's zakat base for the years ended 31 December are as follows:

	2022	2021
Shareholders' equity		
Share capital	**56,042,030**	56,042,030
Provisions	**2,444,332**	2,556,855
Actuarial (profits)/ losses	**(25,682)**	-
Lease liabilities	**1,031,986**	1,331,843
Provision for zakat	**11**	5,208
Total additions	**59,492,677**	59,935,936
Deducted assets:		
Property and equipment	**(867,664)**	(1,100,219)
Right of use assets	**(876,436)**	(1,155,093)
Investment in units of real estate funds	**(29,988,184)**	(19,291,162)
Unrealized loss (profit) from investment in real estate funds - non-current portion	**(1,049,310)**	1,394,061
Investment properties	**-**	(10,564,144)
Accumulated losses	**(7,802,899)**	(7,411,788)
Total discounts	**(40,584,493)**	(38,128,345)
The share of the Saudi side of the zakat base at 84,3057%	**18,908,184**	18,385,042
Adjusted net zakat loss	**19,495,726**	18,956,329
The share of the Saudi side of the adjusted net zakat loss 84,3057%	**4,808,595**	(1,658,801)
Zakat base	**24,304,321**	17,297,528
Zakat	**607,608**	432,438

(All amounts are in Saudi Riyals unless otherwise stated)

15 Income tax and zakat matters (continued)

15.3 Tax and zakat liability

	Income tax	Zakat	Total
1 January 2022	**-**	**436,727**	**436,727**
Provision for the year	**165,746**	**607,608**	**773,354**
Payments for the year	**-**	**(436,716)**	**(436,716)**
31 December 2022	**165,746**	**607,619**	**773,365**
1 January 2021	-	7,630	7,630
Provision for the year	-	432,200	432,200
Payments for the year	-	(3,103)	(3,103)
31 December 2021	-	436,727	436,727

15.4 Status of certificates and final assessments

The Company has finalized the zakat assessment for the period ended 31 December 2008.

The Company submitted its zakat and tax returns for the years ended 31 December 2009 to 2014 and obtained the restricted zakat and tax certificates for the aforementioned years. The ZATCA issued a zakat and tax assessment for the aforementioned years and claimed zakat, tax, delay fines and non-submission fines amounting to SR 7,346,052. The Company objected against the ZATCA assessment. The ZATCA issued a revised assessment for the aforementioned years, reducing the zakat, tax and non-submission fine, to an amount of SR 4,942,450 for the aforementioned years. The Company objected against the adjusted zakat and tax assessment, which was presented to the Zakat, Tax and Customs Committee, which in turn rejected the Company's objection in its session dated 23 January 2022, noting that the Company objected to this judgement with the Appellate Committee for Tax Violations and Disputes Resolution ("ACTVD"). The objection is still under review by ACTVD as at the date of the financial statements.

The Company submitted its zakat and tax returns for the years ended 31 December 2015 and 2016, and obtained the restricted zakat and tax certificate for the aforementioned years. The Company has finalized the zakat and tax status for the aforementioned years.

The Company submitted its zakat and tax returns for the year ended 31 December 2017 and obtained the restricted zakat and tax certificate for the aforementioned year. The ZATCA did not issue the final assessment for the aforementioned year as at the date of the financial statements.

The Company submitted its zakat and tax returns for the year 2018 and finalized the zakat status for the aforementioned year.

The Company submitted its zakat and tax returns for the years ended 31 December 2019, 2020, and 2021, and obtained the restricted zakat and tax certificates for the aforementioned years. The ZATCA did not issue the final assessment for the aforementioned years as at the date of the financial statements.

(All amounts are in Saudi Riyals unless otherwise stated)

16 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies, key management personnel, and funds managed by the Company. Related parties also include business entities in which certain directors or senior management members have an interest (“other related parties”).

a) Following are the significant transactions and entered into by the Company:

Related party	Nature of transaction	Amounts of transaction	
		2022	**2021**
Investment funds	Miscellaneous	**7,382,708**	1,394,203
Real Estate Income Fund – I, Real Estate Income Fund – II and Real Estate Income Fund - III	Services	**884,552**	611,004
Real Estate Income Fund - III	Dividends	**499,148**	718,881
Itqan Murabahat & Sukuk Fund and Saudi Equity Fund	Investments	**5,850,000**	11,300,000
Itqan Murabahat & Sukuk Fund	Sale of investments	**6,717,149**	9,913,075
Board of directors expenses	Expenses and compensations	**74,997**	140,004
Al Baraka Islamic Bank—Bahrain	Murabaha financing	**-**	16,220,157

b) Key management personnel compensations:

	2022	**2021**
Salaries and other short term employee benefits	**2,227,080**	2,384,047
Post-employment benefits	**128,590**	102,651
	2,355,670	2,486,698

c) Outstanding balances arising from sales/ purchases of goods and services

(1) Due from related parties

	2022	**2021**
Masar Al Zamil Fund	**4,374,576**	-
Itqan Housing Fund	**1,292,549**	960,047
Mecca Center Fund	**1,269,492**	34,657
Health Alliance Fund	**944,524**	-
Real Estate Income Fund - III	**568,990**	164,920
Armal Alnarjes Fund	**312,420**	-
Madayn Village Fund	**230,000**	-
Itqan Murabahat & Sukuk Fund	**121,344**	102,624
Medicare Fund	**124,023**	-
Itqan Real Estate Assets Fund	**88,357**	150,458
Itqan Capital Saudi Equity Fund	**20,437**	13,059
Masharef Hills Fund	**1,499**	-
	9,348,211	1,425,765

(All amounts are in Saudi Riyals unless otherwise stated)

16 Related party transactions and balances (continued)

c) Outstanding balances arising from sales/ purchases of goods and services (continued)

(2) *Financing from a related party*

	2022	2021
Short-term murabaha financing	-	-

During the year ended 31 December 2021, the murabaha financing was settled in July 2021, by transferring units from the investment in Real Estate Income Fund - III, as the Company signed an ownership transfer agreement with Al Baraka Islamic Bank - Bahrain to settle a loan amounting to SR 16 million. The settlement was in the form of a transfer of 219,733 units of Itqan Capital's investment in Real Estate Income Fund - III to the bank.

17 Revenues

The following are the details of the revenue from services during the year ended 31 December 2022 and 2021:

	Assets Management	Investment Banking	Custody services	2022
Time of revenue recognition				
Over time	**8,958,336**	**800,000**	**420,422**	**10,178,758**

	Assets Management	Investment Banking	Custody services	2021
Time of revenue recognition				
Over time	2,934,584	582,500	209,579	3,726,663

18 Other operating expenses

	Note	2022	2021
Consulting and professional fees		**363,339**	461,524
Subscription fee		**343,846**	784,712
Travel		**22,570**	37,463
Maintenance		**129,637**	146,891
Board of Directors related expenses	16	**74,997**	140,004
Others		**616,667**	400,597
		1,551,056	1,971,191

19 Finance costs

	Note	2022	2021
Interest on lease liabilities	5	**55,143**	73,623
		55,143	73,623

(All amounts are in Saudi Riyals unless otherwise stated)

20 Financial instruments

A financial instrument is any contract that gives rise to a financial asset to one entity and a financial liability or equity instrument to another entity. The Company holds various financial instruments in its ordinary course of business.

Categories of financial instruments

a) Financial assets subsequently measured at amortized cost:

	Note	2022	2021
Other current assets		**12,360,103**	3,514,271
Cash and cash equivalents	9	**450,472**	1,713,992
		12,810,575	5,228,263

b) Financial assets at fair value through profit or loss:

	Note	2022	2021
Investments in real estate funds	7-1	**29,978,184**	19,261,162
Investments in units of money market funds	7-1	**13,419,162**	14,125,399
Other Investments	7-1	**10,000**	30,000
		43,407,346	33,416,561

c) Financial liabilities at amortized cost

	Note	2022	2021
Claims and other current payables	14	**5,435,948**	3,189,069
		5,435,948	3,189,069

The carrying amount of financial assets approximates their fair value. Financial assets are not considered to pose a significant credit risk.

21 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

In measuring the fair value of assets or liabilities, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of investments in money market fund is based on quoted market prices at the end of the reporting period. Accordingly, these instruments are included in level 1. The fair value of investment in real estate funds is based on the net assets value (NAV) communicated by the fund manager. Accordingly, these instruments are included in level 3.

(All amounts are in Saudi Riyals unless otherwise stated)

21 Fair value of financial instruments (continued)

The table below presents the financial assets at their fair values as at 31 December 2022 and 2021 based on the fair value hierarchy:

31 December 2022	**Level 1**	**Level 3**	**Total**
Financial assets at FVTPL:			
Investment in money market funds	**13,419,162**	**-**	**13,419,162**
Investments in real estate funds	**-**	**29,978,184**	**29,978,184**
Other investments	**-**	**10,000**	**10,000**
	13,419,162	**29,988,184**	**43,407,346**

31 December 2021	**Level 1**	**Level 3**	**Total**
Financial assets at FVTPL:			
Investment in money market funds	14,125,399	-	14,125,399
Investments in real estate funds	-	19,261,162	19,261,162
Other investments	-	30,000	30,000
	14,125,399	19,291,162	33,416,561

As at 31 December 2022 and 2021, the fair values of the Company's financial instruments are estimated to approximate their carrying amounts. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurs. During the years ended 31 December 2022 and 2021, there were no transfers from or to Level 3 for fair value measurement, and there were no movements between Levels 1 and 3.

Valuation inputs and relationship to the fair value

The following table summarizes the quantitative information about significant unobservable inputs used in measuring the fair value of real estate funds and other investments. Fair values are determined based on a variety of approaches, including the income approach, the cost approach and the market approach.

Description	**Fair value as at 31 December 2022**	**Fair value as at 31 December 2021**	**Unobservable inputs**
Investments in real estate funds and other investments	29,988,184	19,291,162	Costs and margins (cost approach) Income, occupancy rate and capitalization rate (income approach) Adjusted market price per square meter (market approach)

22 Financial risk management

The Company’s activities expose it to a variety of financial risks including the impacts of changes in market risk (including foreign exchange risk, fair value and cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the risks set out above, the Company's objectives, policies and procedures for measuring and managing risk, as well as the Company's management of capital. Further, quantitative disclosures are included within these financial statements. Management is fully responsible for designing and monitoring the risk management structure of the Company. Management is also responsible for setting and monitoring the Company's risk management policies.

The Company’s risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks in complince with such limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities. The Company, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company’s board of directors oversees how management monitors compliance with the Company’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks consist of three types of risks - foreign exchange risk, fair value and cash flow interest rate risk, and price risk.

(1) Foreign currency exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and United States Dollar. Since Saudi Riyal is pegged to United States Dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(2) Fair value and cash flow interest rate risks

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms

Loans issued at variable rates expose the Company to cash flow interest rate risk. During 2020, the Company’s loans were denominated in Saudi Riyals.

The short-term loan carries fixed interest rates. The Company regularly analyzes its exposure to interest rate risk, reassesses borrowing sources, and renegotiates interest rates at terms favourable to the Company.

(3) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual instrument or its issuer or factors affecting all instruments traded in the market. The Company’s exposure to equity securities price risk arises from investments held by the Company and classified in the statement of financial position either at FVTOCI or at FVTPL.

To manage the price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. The portfolio is diversified according to the limits set by the Company. The Company's equity and debt investments are quoted in the market.

(All amounts are in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

Sensitivity

The table below summarizes the impact of increases/decreases of these investments on the Company's profit or loss and other comprehensive income for the year. The analysis is based on the assumption that the instruments had increased or decreased by 10% with all other variables held constant, and that all the Company's equity and debt instruments were impacted in line with assumed changes.

	Impact on profit or loss	
	2022	**2021**
Investments in money market funds (movement of 10%)	**1,341,916**	1,412,540

b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortized cost, and deposits with banks and financial institutions.

The Company manages credit risk for each category. For banks and financial institutions, only independently rated parties with high ratings are accepted.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Company has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

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

	Note	**2022**	**2021**
Other receivables		**12,360,103**	3,514,271
Cash and cash equivalents	9	**450,472**	1,713,992
		12,810,575	5,228,263

Cash at banks and margins are placed with banks with high credit ratings. Employee and other receivables are considered to have low credit risk; therefore, the 12 month expected loss model was used for impairment assessment. Based on management's impairment assessment, no provision is required in respect of these balances for all periods presented.

Balances due from related parties are from the funds managed by the Company, and the funds have sufficient assets to pay the Company. Based on management's assessment of impairment, no provision is required in respect of these balances for all periods presented, as they have low credit risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(All amounts are in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the fulfilment of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	2022			
	< 1 year	**1-2 years**	**2 to 5 years**	**Total**
Lease liabilities	**355,000**	**710,000**	**-**	**1,065,000**
Other current payables	**5,435,948**	**-**	**-**	**5,435,948**

	2021			
	< 1 year	**1-2 years**	**2 to 5 years**	**Total**
Lease liabilities	355,000	710,000	355,000	1,420,000
Other current payables	3,189,069	-	-	3,189,069

Please see Note 5 for the contractual maturity analysis of lease liabilities.

23 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated as borrowings, as shown in the statement of financial position, less cash and cash equivalents. Total equity is as shown in the statement of financial position.

	2022	**2021**
Short term borrowings	-	-
Total debt	-	-
Cash and cash equivalents	**450,472**	1,713,992
Net debt	**450,472**	1,713,992
Share capital	**56,042,030**	56,042,030
Accumulated losses	**(3,684,262)**	(7,802,899)
Equity	**52,357,768**	48,239,131
Capital gearing ratio - %	**1%**	4%

(All amounts are in Saudi Riyals unless otherwise stated)

24 Cash flows information

a) Net debt

	2022	2021
Cash and cash equivalents	**450,472**	1,713,992
Lease liabilities	**(1,031,986)**	(1,331,843)
Net debt	**(581,514)**	382,149

b) Net debt reconciliation

	Cash and cash equivalents	Borrowings	Leases	Total
1 January 2021	5,635,487	16,220,150	1,770,836	23,626,473
Cashflow	(3,921,495)	-	(512,616)	(4,434,111)
Loan settlements	-	(16,220,150)	-	(16,220,150)
Interests	-	-	73,623	73,623
31 December 2021	1,713,992	-	1,331,843	3,045,835
Cashflow	**(1,263,520)**	-	**(355,000)**	**(1,618,520)**
Loan settlements	-	-	-	-
Interests	-	-	**55,143**	**55,143**
31 December 2022	**450,472**	-	**1,031,986**	**1,482,458**

25 Regulatory capital requirements and capital adequacy ratio

The Company's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

	2022	2021	Change percentage
Capital base			
Tier I capital	**52,357,768**	48,239,131	9%
Total	**52,357,768**	48,239,131	9%
Minimum capital requirement			
Credit risk	**32,610,488**	25,166,099	30%
Market risk	**42,806**	67,837	(37%)
Operation risk	**2,020,853**	1,973,159	2%
Total	**34,674,147**	27,207,095	27%
Capital adequacy ratio	**1,51**	1,77	(15%)
Surplus	**17,683,621**	21,032,036	(16%)

(All amounts are in Saudi Riyals unless otherwise stated)

25 Regulatory capital requirements and capital adequacy ratio (continued)

Capital base comprises of:

Tier I capital

Comprise of paid up capital, accumulated losses, share premium and reserves.

Tier-II capital:

It comprises of perpetual subordinated loan and fixed term subordinated loans with a minimum original maturity 5 years. The minimum capital requirements related to credit risk, market risk and operation risk is calculated based on specific conditions stated in pillar III of the regulations issued by the CMA. The Company's objective from capital management is to comply with the capital requirements approved by the CMA, to safeguard the Company's ability to continue its operations on a going concern basis and maintain a sound capital base.

The Company's management monitors the capital adequacy and its deployment of capital on a periodical basis. As per the regulations of the CMA, the Company shall maintain a minimum limit of regulatory capital. Whereas the ratio of the total regulatory capital over risk weighted asset is at or above the minimum required ratio. The Company monitors the capital adequacy by using the ratios specified by the CMA. Based on such ratios, the Company measures the extent of its capital adequacy for the assets and commitments appearing in its financial statements using weighted balances to reveal its relative risk.

26 Earnings per share

The Company presents information about earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	31 December 2022	31 December 2021
Earnings per share from profit from operations		
Profit for the year	**4,144,319**	804,499
Weighted average number of shares	**5,604,203**	5,604,203
Earnings per share	**0.74**	0.14
Earnings per share from total comprehensive income		
Total comprehensive income for the year	**4,118,637**	988,663
Weighted average number of shares	**5,604,203**	5,604,203
Earnings per share	**0.73**	0.18