سدرة المالية
Sidra Capital

# BOARD OF DIRECTORS REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS

2022

# INTRODUCTION

## ABOUT SIDRA CAPITAL

Licensed and regulated by the Saudi Arabian Capital Market Authority, Sidra Capital is a Shari'ah-compliant asset management firm that focuses on alternative asset classes such as global income-generating real estate, private finance, and private equity.

By applying a responsible and prudent investment strategy that is focused on alternative assets, coupled with our unique access to global markets through our growing network of offices, we have delivered consistent risk adjusted returns for our clients.

## KEY HIGHLIGHTS

Total Assets Under Management

**SAR12.8bn**

Unique access to global markets through an expanding network of offices and partners

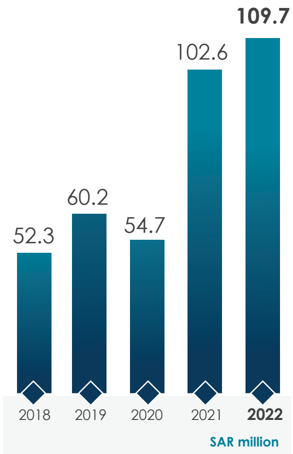
Regulated Entities:

| Location | Regulator |
|---|---|
| KSA | Capital Market Authority |
| UAE | Dubai Financial Services Authority |
| Singapore | Monetary Authority of Singapore |

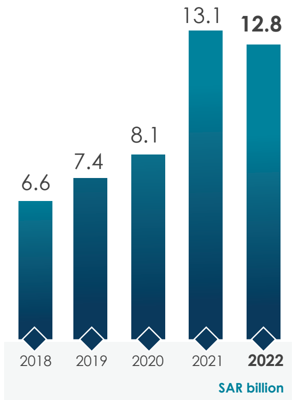
Focused on Shari'ah compliant real estate, private finance and private equity investments

Global presence with offices in Jeddah, Riyadh, London, Dubai, and Singapore

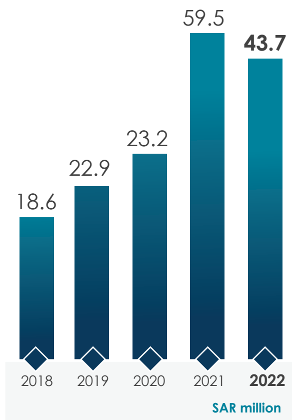
# FINANCIAL HIGHLIGHTS



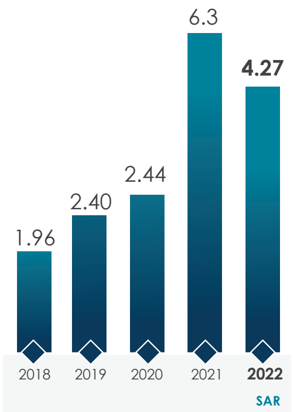

Revenue



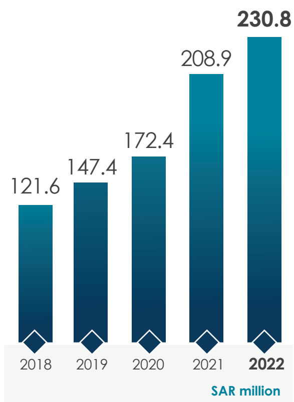

Assets Under Management



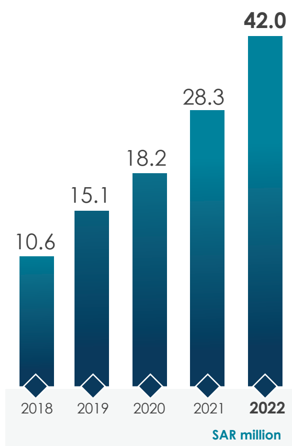

Net Income Before Zakat




Earnings Per Share




Total Assets




Total Liabilities

SAR **12.8bn**

**ASSETS UNDER MANAGEMENT**

SAR **7.6 bn**

**CURRENT AUM IN REAL ESTATE**

# REVIEW OF ACTIVITIES
# BUSINESS REVIEW

# BUSINESS HIGHLIGHTS

- Continuing the growth of our first industrial real estate aggregation program in the US closing out 75% of the recently launched $155 mn fund
- Steady growth of AUM to
  SAR 12.8 bn
- Expanding into the Asia Pacific region since 2021 through its Singapore office
- Exploring the opportunity to finance SME real estate companies within Saudi Arabia
- Launching SIF II in Oct 2022 with an initial fund size of US$50 mn
- Sidra's global real estate portfolio grew by 19.2% to reach
  SAR 7.6 bn in 2022
- Launching Sidra Capital's PE program (SPE IV) in partnership with BlackRock, targeting co-investment opportunities in the Asia Pacific region

Global Finance Award
**Best Islamic Fund Manager**

Islamic Finance News Award
**Best Deal by Country (Indonesia)**

Islamic Finance News Award
**Best Deal by Sector (Trade Finance)**

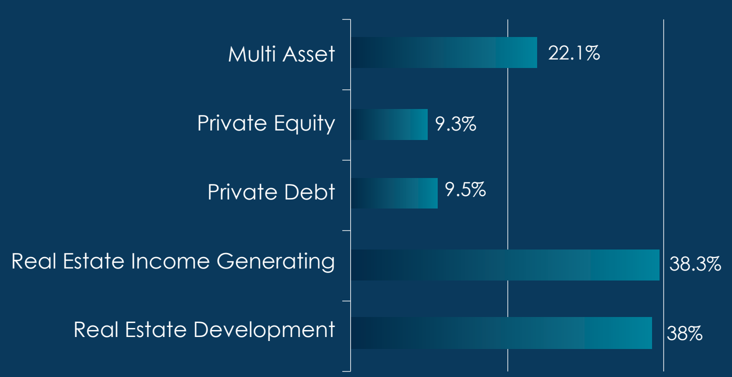
International Finance Award
**Best Islamic Asset Manager**

Global Business Magazine Award
**Best Investment Management Company**

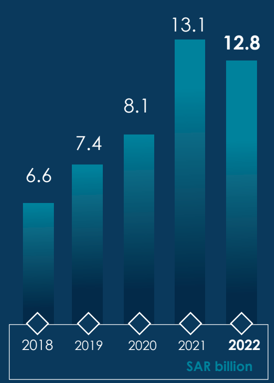
# OUTLOOK

- Looking at direct and indirect financing opportunities in the Asia-Pacific region under the private debt asset class
- Focusing on real estate development projects in Saudi Arabia
- Continuing to build on our US, UK, and European real estate platform
- Developing Private Debt in Saudi Arabia
- Growing our Investment Advisory business out of the Dubai office

## **AUM** (BREAKDOWN BY ASSET CLASS)




## **AUM** (ALL ASSET CLASSES)



# REAL ESTATE
## UNITED STATES

Following a strong year in 2021, conditions in the US commercial real estate market have fluctuated slightly in 2022. With the Federal Reserve hiking interest rates, there has been a decrease in sales and acquisition volumes, paving the way for strategy changes for many institutional real estate investors, towards a more ‘value-add’ acquisition strategy.

### ACTIVITIES

- Sidra’s US industrial real estate aggregation program (fund) launched in 2021, has deployed 75% of its fund size with 11 assets acquired by year end 2022. The remaining 25% is poised to complete by Q4 2023. The fund closed the following properties in Q4 2022:
- ActivePure, Bristol, VA, property, a privately held global leader in active surface and air disinfection systems. The $20.5 mn asset covers 30.8% of the fund’s leasable area, with a 15-year lease duration.
- Krier Foods, Random Lake, WI, a family-owned beverage co-packer and processer, that was acquired in April 2022 for a gross price of $16.4 mn with a lease term of 20 years.
- “Wheel Pros”, located in York, SC, was acquired in December 2022 for a gross amount of $16.1 mn. Wheel Pros is a niche wheel manufacturer, recently acquired by a leading private equity firm.

### STRATEGY OUTLOOK

- High-interest rates and a recessionary environment will make it a tough year for US real estate. We foresee the Fed continuing to raise interest rates until a marked reduction in inflation occurs.
- With commercial appraisal values falling, cap rates are unable to match up with higher borrowing costs, especially among those investors who need to refinance their properties.
- The current macro risks and market dislocations may create attractive buying opportunities over the next 12 months, and we foresee this across sectors.


Wheel Pros


ActivePure


10000 Energy Drive

| 91 Assets* | US$ 1.36 bn | 10 mn sq ft |
|---|---|---|
| Total acquisitions since inception | Total acquisitions value since inception | Size of real estate portfolio in the US |

* Includes fund properties as of Dec 2022

# REAL ESTATE
## UNITED KINGDOM

UK commercial real estate had a challenging year with macro economic and political uncertainty from Q2 onwards. A cautious outlook prevailed with a flight to quality for long income high environmentally efficient assets. Yields moved out rapidly because of accelerated Bank of England interest rate hikes to 3.5% from 0.10% only 24 months prior, to control inflation which has been plagued by the war in Ukraine and a tight supply chain. In parallel the once boutique 'Private Debt' industry grew substantially as financing options became more restricted by institutional lenders. As a result, traditional real estate investors now occupy the private debt capital space as direct lending opportunities offer lower risk with higher returns.


The Bower

Great western


Brandloyalty HQ

### ACTIVITIES

- Acquisition of The Bower, in Stockley park. A 151,000 sq. ft freehold office building fully let to Canon EMEA, a Fortune 500 company, on a 10-year lease.
- Disposal of Great Western Retail Park in Glasgow to Realty from the US in line with Business Plan forecast.
- Disposal of Brand Loyalty in Holland, to Corum from France, in line with the Business Plan forecast.

### STRATEGY OUTLOOK

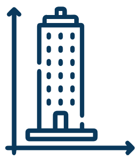
- Regear and where possible re-structure capital of the portfolio to protect asset values and options.
- Hedge returns with entry into Private Debt lending to prime finished assets for up to 2-year terms.

**24 Assets**

Total acquisitions since inception

**£ 1.1 bn**

Total acquisitions value since inception



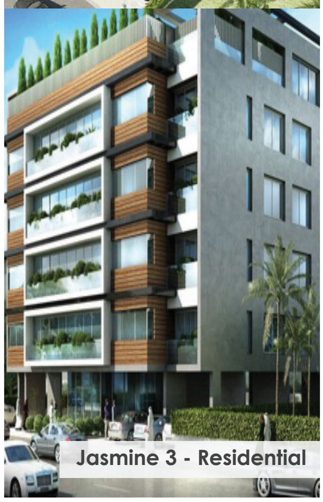
**1.05 mn sq ft**

Size of real estate portfolio in the UK

# REAL ESTATE
## SAUDI ARABIA

During 2022, we witnessed a number of market changes and challenges. Interest rates increased significantly, with the 12-month SAIBOR exceeding 6%. However, cap rates in the market remained stagnant. The second phase of the White Land Tax program commenced, adding more pressure on landowners to utilize their vacant plots, either through sale, development, or Joint Ventures.

2022 also saw the start of the regeneration plan for Jeddah, which looks to develop 30 districts with improved infrastructure, residential, and retail products.



Jasmine 3 - Residential

### ACTIVITIES

- In 2022, the Sidra Capital Residential Development Fund “SRDF” acquired its second residential plot in North Obour, Jeddah, to develop 32 Villas. The first project which was acquired in 2021 has achieved 70% completion with unit sales commencing in Q1 2023.
- In 2022, we received approval from CMA to establish the Sidra Capital Real Estate Opportunities Fund. The fund focuses on developing a large plot of land in the Asir Province.

### STRATEGY OUTLOOK

- In 2023, we will continue to focus on the Saudi real estate sector, in particular primary cities such as Riyadh, Jeddah and Dammam, while also looking at market-driven opportunities in other cities.
- We will also look to capitalize on the new legislation allowing non-Saudis to invest in real estate investment funds that invest in properties in Makkah and Madinah.

| 4 Assets | SAR 269 mn | SAR 178 mn |
|---|---|---|
| Total acquisitions since inception | Total acquisitions value since inception | Size of real estate portfolio in the KSA |

# REAL ESTATE ADVISORY

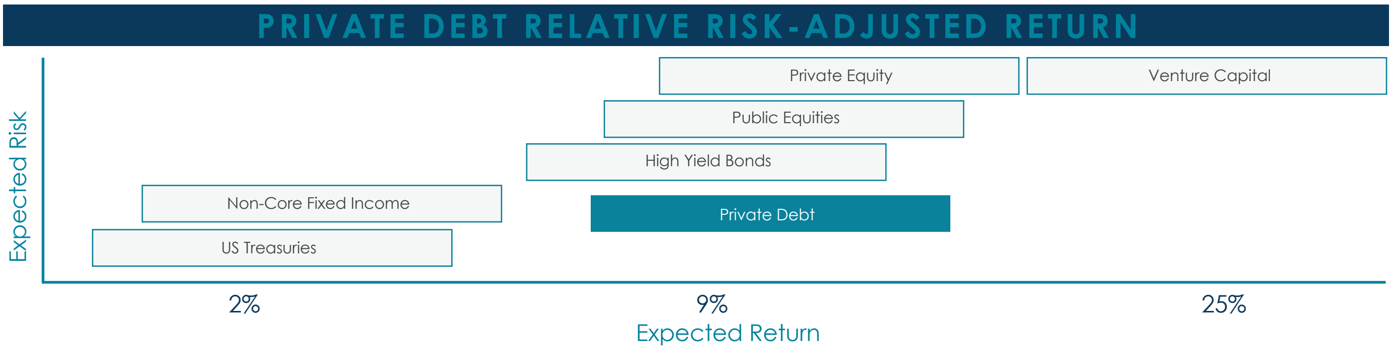
- We continued in 2022 to provide a focused approach, leveraging both our local and international presence, in-house RE expertise, network of specialist partners, and our agile corporate structure.
- We focus primarily on serving landowners who would need guidance on the best use of their land bank and advise them on the best structure that maximizes the return of their portfolios. 2022 was the year that we were rewarded with one of the largest mandates in our advisory history for a large governmental entity.
- Sidra has led an international consortium to transform Saudia City, located in the heart of Jeddah on an area of 1.6 mn sqm, into a new masterplan integrating all aspects of community life.
- From a strip retail connected with the first business park in Jeddah and a youth community business hub to a gated accommodation for the airline staff alongside a luxury gated lifestyle community, we have managed to develop a masterplan that meets the financial targets of the client.
- Building long-term relations with our clients is key, and we achieve this by serving our clients in a dedicated and goal-oriented manner.

# SHARI'AH-COMPLIANT
# PRIVATE DEBT

Sidra Income Fund (SIF) continued its strong performance in 2022, delivering 8.3%, which is above its target net return of 7.75%. SIF premised its strategy on financing Asian solid fuel, sand, and stone domestic trades, which delivers stable, unlevered high yield return uncorrelated to the stock market, interest rate movements, and global commodity prices.

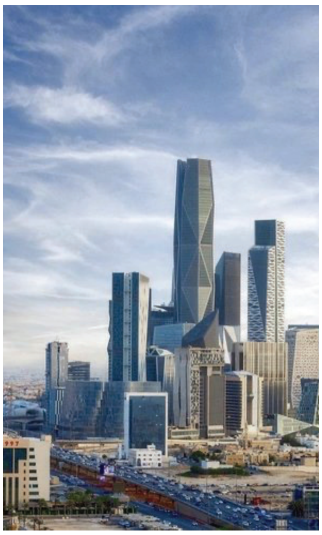
The convincing performance of SIF since its inception in 2019, provided the impetus for the further development of structured trade finance investment products focusing on Asian commodity supply chain financing and resultantly, Sidra Income Fund II (SIF II) which focuses on solid fuel export trades was launched in October 2022 with an initial fund size of US$50 mn.

Sidra-Ancile Global Structured Trade Investment Fund (GSTIF) which invests in emerging market commodity supply chains was caught in covid-induced economic headwinds in 2021. GSTIF's 2022 performance demonstrated a recovery in line with the lifting of economic and social restrictions globally with a full-year net return of 5.7% against a 10 year average return of 5.8%.




## STRATEGY OUTLOOK

- The team is currently building up a healthy pipeline which includes the financing of EV-based commodity trades to take advantage of Indonesia's abundant natural supply of minerals utilized in EV component manufacturing; and non-commodity-related financing transactions with established relationships and partners in the region.
- In 2022, Sidra Capital made a strategic decision to enter the direct financing private debt asset class in KSA. Sidra Capital is exploring the opportunity to provide financing to SME real estate developers within Saudi Arabia, as they currently utilize equity in the absence of access to financing from traditional banks.



**US$ 1.6 bn**
Total disbursed capital since 2012

**4,000+**
Transactions with 50 counterparties financed

**8.3%**
Above-target returns achieved by Sidra Income Fund

# PRIVATE EQUITY

In 2022 Sidra launched its PE program. SPE (IV) is a $100m fund, structured in conjunction with BlackRock and targets co-investment opportunities in the Asia Pacific region.

Sidra also launched SPE (V) focused on mid-market opportunities in Europe and US. The first investment was initiated in Q4 2022.

Due to the market turmoil, there was only one major exit in SPE I with a positive multiple of 1.3x. Overall, with only 3 investments remaining, SPE I maintains an average MOIC of 1.7x and an average IRR of 17.7%.

Looking ahead, we expect to continue to expand in the PE space and further enhance our value proposition by launching additional funds covering a variety of strategies and regions.

| SAUDI RETAIL OPPORTUNITY | SIDRA PRIVATE EQUITY PROGRAM I | SIDRA PRIVATE EQUITY PROGRAM II | CHINA PRE-IPO FUND | SIDRA PRIVATE EQUITY PROGRAM III | SIDRA PRIVATE EQUITY PROGRAM IV | SIDRA PRIVATE EQUITY PROGRAM V |
|---|---|---|---|---|---|---|
| 2011 | 2016 | 2018 | 2019 | 2021 | 2022 | 2022 |

# INVESTMENT BANKING

During 2022, we successfully concluded a strategic and financial advisory mandate for a holding company relating to a healthcare mega project with a total planned CAPEX budget exceeding SAR 2 bn.

We also continued to serve a family office on debt arranging services relating to arranging multiple project financing and short-term financing facilities totaling SAR 2.5 bn+.

We aim to onboard more clients in 2023, focusing on offering flexible and innovative arranging and financial advisory services that can optimally aid potential clients in meeting their financial and capital-raising objectives.

# REVIEW OF ACTIVITIES
## CORPORATE REVIEW

# KEY HIGHLIGHTS

| Training Hours | Saudization | Females | Nationalities |
|---|---|---|---|
| **1,396** | **83%** | **41%** | **16** |

- Increased the percentage of the **Saudization to 83%** (Platinum range).
- Implemented an integrated **HR System** for all of Sidra's offices.
- Training and development continued to be a key focus at Sidra, with **professional development courses** conducted online and in person.
- Sidra also continued to pursue inclusion and diversity goals, concentrating on the recruitment of both male and female Saudi employees. We are proud to have built a workforce that is currently **41% female** and from **16 different nationalities.**
- As part of the firm's continuing drive to improve operational processes and data integrity, Sidra selected a leading **technology platform** that will be rolled out in the first part of 2023. Once implemented the front to back platform will further improve Sidra's internal and client servicing capabilities.
- As **Sidra young professionals training program** has proven successful during the past years, four candidates were enrolled in the program in 2022.
- With **cybersecurity** becoming a major global trend due to a continuous increase of malware, phishing, and fraud attacks over the internet, Sidra Capital conducted a comprehensive cybersecurity awareness training for all employees equipping them with the required tools and knowledge. In addition, a common cybersecurity policy has been implemented to overcome these threats and enhance data security.

# CORPORATE SOCIAL RESPONSIBILITY (CSR)

Sidra continues to fulfill its commitment towards its employees, stakeholders, and the society through initiating CSR initiatives with the aim of giving back to the community. Sidra Capital's CSR strategy focuses on creating initiatives that ensure the future well-being of the community as well as for future generations.

In 2022, the internal CSR involved motivating and educating employees to live a healthy life as well as giving them opportunities to engage and celebrate key milestones. In addition, Sidra Capital engaged in external CSR activities with the aim of creating awareness and educating the public on certain social and career related topics.

## EID FITR CELEBRATION

Sidra Capital has cooperated with the Association of neighborhood Centre to celebrate the occasion of the Eid Al-Fitr. The aim of this philanthropic activity was to bring joy to the children during Eid and create good memories for them and their families.

## DONATE BLOOD SAVE LIVES

In collaboration with the Ministry of Health, Sidra participated in the blood donation world day and initiated a small clinic for two days and a showroom with all the equipment related to this event. More than 100 donors including Sidra Capital's employees, partners and clients participated in the blood donation initiative and helped save lives.

## NO TOBACCO DAY

In collaboration with the Ministry of Health, Sidra invited the employees and their families to join the World No Tobacco initiative. The aim was to create awarness and the activity lasted for two days. There was also a small clinic established and a showroom with all the equipment related to this event.

## SAUDI NATIONAL DAY CELEBRATION

Sidra Capital celebrated the Saudi National Day with its employees. Sidra Capital held did a competition to share knowledge, including valuable information focusing on the Kingdom's thriving economy and enhancing engagement between employees.

## YOUTH EMPOWERMENT WORKSHOP

With the growing Saudi youth, Sidra Capital continues to contribute and invest in the next generation. During the Saudi National Day, we held a "Youth Empowerment Workshop" in partnership with Leap2Success. Sidra Capital provided the youth with tools to develop their interview skills and help them get more job opportunities when they want to start their career path.

## WORLD ARABIC LANGUAGE DAY

The International Day of the Arabic Language was celebrated in the company by holding motivational competitions about the beauty of the Arabic language. The aim of this initiative was to create awarness and encourage great engagement amongst employees.

# CORPORATE GOVERNANCE
REPORT

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

Sidra Capital is committed to adopting widely accepted and industry-standard corporate governance practices that are aligned to prevailing regulations issued by the relevant authorities in the Kingdom of Saudi Arabia. Our main corporate governance objective is to uphold the interests of the shareholders and stakeholders by operating in accordance with the prescribed rules and regulations of the CMA.

## LICENSED ACTIVITIES

Sidra Capital is licensed by the Capital Market Authority ('CMA') to conduct the following activities as a capital market institution:

- Dealing
- Managing Investments and Operating Funds
- Arranging
- Advising
- Custody

## OFFICES AND SUBSIDIARY DETAILS

| Jeddah | Riyadh | Sidra Capital (UK) Limited | Sidra Capital PTE. LTD. | Sidra Capital Limited |
|---|---|---|---|---|
| **(Headquarters)** | **(Branch)** | **(Subsidiary)** | **(Subsidiary)** | **(Subsidiary)** |
| Level 3, Al Murjanah Tower<br>Prince Sultan Street<br>PO Box 118528<br>Jeddah 21312<br>Kingdom of Saudi Arabia | Office 11, First Floor, Building (B)<br>Al Nemer Al Nakheel Center<br>5262 Al Imam Saud Ibn<br>Abdul Aziz Road<br>Riyadh 12381<br>Kingdom of Saudi Arabia | 48 Charles Street<br>Mayfair<br>London W1J 5EN<br>United Kingdom | 3 Fraser Street #05-24<br>Duo Tower<br>Singapore 189352 | Unit 107 Level 1<br>Currency House - Tower 2,<br>Alfattan<br>P O Box 482086<br>Dubai<br>United Arab Emirates |

**Sidra Capital (UK) Limited** was established and is currently operating in London, UK, to enhance our existing in-house capability in relation to investment into the UK and European real estate markets with an issued and paid-up capital of £500,000 of which the Company owns 100%.

**Sidra Capital PTE. LTD.** is a 100% subsidiary of the company that operates out of Singapore. It is a Registered Fund Management Company (RFMC) that is regulated by the Monetary Authority of Singapore (MAS) to conduct fund management activities. Its main focus is on launching and managing private debt funds for the Asian region. It has an issued and paid-up capital of SGD 1,350,000.

**Sidra Capital Limited** is a 100% subsidiary of the company and has a Category 3c license issued by the Dubai Financial Services Authority (DFSA). It operates in the Dubai International Financial Centre (DIFC), UAE. Its main activity is advising on financial products and arranging and managing investments for underlying clients. It has an issued and paid-up capital of USD 1,000,000.

### BOARD OF DIRECTORS

Sidra Capital's Board of Directors (Board) comprises of five members who are elected by the shareholders for a period of three years. Each member can be re-elected upon completing the initial term, in accordance with the company's bylaws. The Board is responsible for providing strategic guidance to the business and affairs of the company, based on its vision and objectives.

The Board's key responsibilities include providing guidance on enhancing Sidra Capital's performance and protecting and enhancing the interests of shareholders and other stakeholders. Other key roles of the Board include:

- Reviewing and providing strategic guidance on corporate strategy, and major plans of action including capex, acquisitions and divestitures, risk appetite, annual budgets, business plans, and business performance.
- Monitoring and continuously improving the effectiveness of the company's governance practices.
- Ensuring that appropriate policies are in place and in line with the overall direction of the company.
- Reviewing and approving the company's organizational and functional structures.
- Monitoring and managing potential conflicts of interest of Board members, senior management and shareholders including misuse of Sidra Capital's assets and abuses in related-party transactions.
- Forming Board sub-committees as required, with clearly defined tasks, rights and obligations.

### BOARD MEMBERS

| NAME | MEMBERSHIP CLASSIFICATION | POSITION |
|---|---|---|
| Hani Othman Baothman | Non-Executive | Chairman |
| Ahmed Abdullah Bajunaid[1] | Independent | Vice Chairman |
| Abdulrahman MohammedAli Yousuf[2] | Independent | Board Member |
| Mustafa Ahmed Al-Darwish[3] | Independent | Board Member |
| Riaz Cassum | Independent | Board Member |

1 Appointed as a Board Member on the 4th of August 2022 and replaced Ammar Farouq Zahran
2 Appointed as a Board Member on the 4th of August 2022 and replaced Anas Mohammed Seirafi
3 Appointed as a Board Member on the 17th of January 2022

### BOARD MEETING ATTENDANCE

Board meetings attendance record for the financial year ended 31 December 2022:

| NAME | FIRST MEETING 27 MARCH 2022 | SECOND MEETING 30 JUNE 2022 | THIRD MEETING 30 AUGUST 2022 | FOURTH MEETING 27 NOVEMBER 2022 |
|---|---|---|---|---|
| Hani Othman Baothman | <> | <> | <> | <> |
| Ahmed Abdullah Bajunaid | | | <> | <> |
| Abdulrahman MohammedAli Yousuf | | | <> | <> |
| Mustafa Ahmed Al-Darwish | <> | <> | <> | <> |
| Riaz Cassum | <> | <> | <> | |
| Ammar Farouq Zahran | <> | | | |
| Anas Mohammed Seirafi | <> | | | |

## BOARD AND DIRECTORS MEMBERSHIPS IN OTHER COMPANIES

| NAME | POSITION | NAME OF THE COMPANY |
|---|---|---|
| Hani Othman Baothman | Board Member | Sidra Capital (UK) Limited |
| | Board Member | Sidra Capital Limited (UAE) |
| | Board Member | Sidra Capital PTE Limited (Singapore) |
| | Board Member | King Abdullah Economic City (KAEC) - EMAAR |
| | Board Member | Retal Urban Development Company (KSA) |
| | Chairman | INOKS Capital Ltd |
| Ahmed Abdullah Bajunaid | Board Member | Al Jazeera Vehicles Agencies |
| Abdulrahman MohammedAli Yousuf | Board Member | Madinah Institute for Leadership and Entrepreneurship |
| | Board Member | Tabah Oasis Trading Company |
| | Board Member | Digital Innovation Company |

## BOARD SUB-COMMITTEES

Sidra Capital's two Board sub-committees provide assistance to the Board to effectively discharge its responsibilities. The sub-committee's roles include:

- Advising the Board on complex issues in a more efficient manner by allowing specialists to focus on specific issues and provide detailed analyses and recommendations.
- Assisting the Board to develop subject-specific expertise on the company's operations, most notably on financial reporting, risk management, and internal controls.
- Enhancing the objectivity and independence of Board decisions, insulating them from potential undue influence.

## SIDRA CAPITAL'S BOARD SUB-COMMITTEES ARE:

### 1- AUDIT & RISK COMMITTEE

The Audit & Risk Committee ('ARC') is a Board sub-committee that has the vested authority to make recommendations to the Board for its approval. The ARC assists the Board in fulfilling its oversight responsibilities relating to:

- Preparation of financial statements and other financial information produced by the company for shareholders, the public and other stakeholders.
- Compliance with legal and regulatory requirements.
  Performance of the internal audit function.
- Proper functioning of risk management and other governance activities.

### ARC MEMBERS

| NAME | POSITION |
|---|---|
| Abdulelah Abdu Mukred | Chairman |
| Ammar Farouq Zahran | Member |
| Seedy Keita | Member |

### ARC MEETING ATTENDANCE

ARC meetings attendance record for the financial year ended 31 December 2022:

| NAME | FIRST MEETING 20 MARCH 2022 | SECOND MEETING 16 MAY 2022 | THIRD MEETING 26 SEPTEMBER 2022 |
|---|---|---|---|
| Abdulelah Abdu Mukred | ◇ | ◇ | ◇ |
| Ammar Farouq Zahran | ◇ | ◇ | ◇ |
| Seedy Keita | ◇ | ◇ | ◇ |

## 2- NOMINATION & REMUNERATION COMMITTEE

The Nomination & Remuneration Committee ('NRC') is a Board sub-committee that establishes and implements principles and parameters underlying the process of nominating and remunerating Board directors and senior management. The NRC undertakes the following duties and responsibilities:

- Review the Board's composition and ensure it has the appropriate mix of skills, experience, and other factors required by the company and regulatory authorities to fulfill its responsibilities.
- Review and make recommendations to the Board on the compensation of directors and senior management

### NRC MEMBERS

| NAME | POSITION |
|---|---|
| Hani Othman Baothman | Chairman |
| Anas Mohammed Saleh Seirafi | Member |
| Ammar Farouq Zahran | Member |

### NRC MEETING ATTENDANCE

NRC meetings attendance record for the financial year ended 31 December 2022:

| NAME | MEETING DATE: 5 APRIL 2022 |
|---|---|
| Hani Othman Baothman | |
| Anas Mohammed Saleh Seirafi | |
| Ammar Farouq Zahran | |

### BOARD MEMBERS' AND SENIOR EXECUTIVES' REMUNERATION AND COMPENSATION

The following is a detailed description of all expenses, remuneration, and salaries paid to Board members and the top five senior executives, added to them the Chief Executive Officer and Finance Manager, for the financial year ending 31 December 2022.

| STATEMENT | EXECUTIVE BOARD MEMBERS | NON-EXECUTIVE BOARD MEMBERS | INDEPENDENT BOARD MEMBERS |
|---|---|---|---|
| Allowance for attendance of the board of directors' sessions | - | - | - |
| Allowance for attendance of the committees' sessions | - | - | - |
| Periodic and annual remunerations | - | 400,000 | 1,100,000 |
| Incentive plans | - | - | - |
| Any compensations or other in-kind benefits paid monthly or annually | - | - | - |
| **Total (SAR)** | | **400,000** | **1,100,000** |

| STATEMENT | FIVE OF THE SENIOR EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATIONS AND COMPENSATIONS IN ADDITION TO THE CEO AND CFO, IF THEY ARE NOT AMONG THEM |
|---|---|
| Salaries and wages | 3,728,154 |
| Allowances | 1,325,153 |
| Periodic and annual remunerations | 5,314,453 |
| Incentive plans | - |
| Commissions | - |
| Any compensations or other in-kind benefits paid monthly or annually | - |
| **Total (SAR)** | 10,367,760 |

### THE RESULTS OF THE ANNUAL AUDIT REPORTS FOR COMPANY'S SYSTEMS AND CONTROLS.

The Audit & Risk Committee (ARC) is responsible for monitoring and reviewing the operational effectiveness of Sidra's Internal Audit function. It supports the Board to discharge its oversight responsibilities on an ongoing basis by enhancing the quality and driving value into the audit. The ongoing evolution of the three lines of defense model implementation has been substantiated by the creation of a separate risk management division to cater to the ever-changing risk landscape and dynamic business environment.

Sidra Capital has an independent Internal Audit function that uses a Risk-based approach during the audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). These standards require planning and performing the engagement to obtain reasonable assurance regarding the achievement of Sidra's objectives by assessing Governance, Internal Controls, and Risk Management processes.

During the year, BDO Dr. Mohamed Al- Amri & Co. conducted six divisional audit reviews and the findings were presented to the ARC. As part of the internal audit recommendations, the ARC also ensures that the results of the audit reviews and any corrective measures are implemented within the agreed timelines. The Company has effective monitoring and follow-up measures to ensure that the divisional owners are taking appropriate action to implement the recommendations as a result of the audit reviews.

### IN ADDITION TO THE AUDIT AND RISK COMMITTEE'S OPINION ON THE ADEQUACY OF THE INTERNAL AUDIT SYSTEM.

The ARC remains fully committed to ensuring a robust system of internal controls is maintained in these challenging times. Based on the results of the assessment till date, there are no fundamental weaknesses identified in the internal systems and controls of the company. Hence the ARC believes that Sidra Capital has a sound and effective system of internal controls – both in design and implementation.

### INFORMATION RELATED TO ANY RISKS FACED BY THE COMPANY AND THE POLICY FOR MANAGING AND MONITORING THESE RISKS.

Sidra understands that risk is an integral part of any investment business and that understanding the principal risks associated with each product would allow Sidra to take better-informed decisions. All financial products carry a certain degree of risk and even low-risk investment strategies contain an element of uncertainty. Different risks may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the investments. Gaining a better understanding of this enables Sidra to optimize the risk-return trade-off in any business decision to best suit the required needs. Given the company's size and operations, Sidra Capital has in place a risk management framework to identify and manage potential key risks to the business. As outlined previously, the Board is assisted by sub-committees, particularly the ARC, in fulfilling its oversight responsibility for risk management activities and operating in accordance with industry best practices.

The company recognizes that enterprise risks have mutual interdependencies and as such cannot be managed independently. Hence it has an integrated view of risk and a concerted approach to handling risks at an entity level which are highlighted below:

#### A) CREDIT RISK

Credit risk is one of the most important risks that Sidra Capital faces, which is the risk that the issuer or guarantor of a product is not able – usually for financial reasons – to repay principal and/or interest in relation to the product or to meet its financial obligations in relation to the product, with resulting loss to the investor. It also incorporates Counterparty Risk, which is the risk that the counterparty may, for a variety of reasons, refuse or fail to meet its contractual obligations to the investor in a product with resulting loss to the investor. To mitigate this risk, the company has diversified its banking relationships across several Saudi and international banks with sound credit ratings. In managing & monitoring its credit risk, the company applies and sticks to the CMA Prudential rules, one of the components used to calculate minimum capital requirements.

#### B) MARKET RISK

Market risk is the risk that the current value of a product falls as a result of movements in market prices due, in particular, to changes in interest rates, foreign exchange rates, and equity and commodity prices so that the investor may not get back the money invested or may not make the returns anticipated. After discussions with Sidra Capital's external auditor and considering that the company does not have a trading book, the related applicable market risk is foreign exchange. The company again applies the CMA Prudential rules to manage & monitor market risk, whilst continuously assessing any hedging requirements.

### C) LIQUIDITY RISK

Liquidity risk is the risk resulting from the Company's inability to fund its portfolio of assets and meet obligations at appropriate maturities. It is also the risk that when an investor chooses to sell a product, there may be no market for it and the investor may be unable to sell it at the desired time or price. It is affected by the supply and demand for that investment and indirectly by other factors, including market disruptions. The Company manages its liquidity requirements by closely monitoring its liquidity ratio.

### D) OPERATIONAL RISK

Operational risk is the risk of loss resulting from systems and controls essential to the operation of the Company breaking down or malfunctioning as well as the risk of failed internal actions of people – as well as the risk of loss arising from external events. The company applies the CMA Prudential rules to manage & monitor operational risk. It also uses the expenditure-based approach, which adds a 25% risk charge to the previous year's level of operating expenses.

These risks are managed & monitored monthly, as part of its management in determining the capital adequacy requirements specified by the CMA and reported in the notes 25 of the audited financial statements.

### PENALTIES, SANCTIONS, PRECAUTIONARY MEASURES, OR PRECAUTIONARY RESTRICTIONS

Sidra Capital conducts its businesses in line with the highest standards of ethics and in compliance with the relevant laws, regulations, and regulatory directives issued by the supervisory and regulatory authorities in Saudi Arabia.

In 2022, the company did not receive any sanction, penalty, precautionary measures or restrictions imposed on Sidra Capital by the CMA or any other supervisory, regulatory or judicial body.

### LOANS

For the financial year ending 31 December 2022, Sidra Capital has no loans outstanding.

### ARRANGEMENTS OR AGREEMENTS WHEREBY A MEMBER OF THE BOARD OF DIRECTORS OR SENIOR EXECUTIVE OF THE COMPANY HAS WAIVED ANY REMUNERATION AND COMPENSATIONS

Sidra Capital confirms that there has been no situation whereby a member of the board of directors or senior executive of the company has waived any remuneration and compensations for the financial year ending 31 December 2022.

### INTERESTS, CONTRACTUAL SECURITIES AND RIGHTS BELONGING TO THE BOARD MEMBERS, SENIOR EXECUTIVES AND THEIR RELATIVES IN THE SHARES OR DEBT INSTRUMENTS OF THE COMPANY OR ANY OF ITS AFFILIATES, AND ANY CHANGES IN THAT INTEREST, THOSE SECURITIES OR RIGHTS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2022.

| NAME | POSITION | INTEREST STATUS | NUMBER OF SHARES AS AT 1/1/2022 | PERCENTAGE SHAREHOLDING AS AT 1/1/2022 | NUMBER OF SHARES AS AT 31/12/2022 | PERCENTAGE SHAREHOLDING AS AT 31/12/2022 | SHARE PAR VALUE (SAR) |
|---|---|---|---|---|---|---|---|
| Hani Othman Baothman | Chairman | Indirect interest | 90,000 | 1 | 90,000 | 1 | 10 |
| Ammar Farouq Zahran | Board Member | Indirect interest | 1,559,250 | 17 | 1,559,250 | 17 | 10 |

### TRANSACTIONS WITH RELATED PERSONS

Sidra Capital confirms that there were no transactions with related persons during the financial year ending 31 December 2022.

### BUSINESS ACTIVITIES OR CONTRACTS TO WHICH THE COMPANY IS A PARTY OR IN WHICH IT HAS AN INTEREST FOR ONE OF THE MEMBERS OF THE BOARD OF DIRECTORS OR FOR SENIOR EXECUTIVES (OR FOR ANY PERSON RELATED TO ANY OF THEM), INCLUDING THE NAMES OF THE PERSONS IN RELATION, AND THE NATURE OF THESE BUSINESSES OR CONTRACTS, THEIR TERMS, DURATIONS AND AMOUNT OF THE BUSINESS OR CONTRACT

Sidra Capital confirms that there were no instances of business activities or contracts to which it is a party or in which it has an interest for one of the members of the board of directors or senior executives (or for a person related to any of them) during the financial year ended 31 December 2022.

### CONCLUSION

Sidra Capital Board extends its appreciation to the company's senior management and employees, whose dedication and efforts played such a vital role in the achievements and progress made during the year.

# CONSOLIDATED
# FINANCIAL STATEMENTS 2022

**KPMG Professional Services**
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

**Headquarters in Riyadh**

**كي بي إم جي للاستشارات المهنية**
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

**المركز الرئيسي في الرياض**

# Independent Auditor's Report

To the Shareholders of Sidra Capital Company

## Opinion

We have audited the consolidated financial statements of Sidra Capital Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

## Basis for Opinion

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

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

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

Those charged with governance, represented by the audit committee, are responsible for overseeing the Group's financial reporting process.

KPMG

# Independent Auditor's Report

To the Shareholders of Sidra Capital Company (continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**KPMG Professional Services**

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 26 March 2023
Corresponding to 4 Ramadan 1444H

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 4030290792
J:1
KPMG
ترخيص رقم ٤٦
KPMG Professional Services

2

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 4 | **1,175,658** | 1,240,516 |
| Intangible assets | 5 | **104,355** | 233,167 |
| Investment property | 6 | **5,125,000** | 5,125,000 |
| Investments | 7 | **106,217,469** | 97,707,916 |
| Right of use of asset | 8 | **9,667,639** | 2,624,320 |
| **Non-current assets** | | **122,290,121** | 106,930,919 |
| | | | |
| Trade and other receivables | 9 | **50,039,260** | 30,209,327 |
| Prepayments | 10 | **1,970,259** | 1,861,561 |
| Cash and cash equivalents | 11 | **56,505,386** | 69,942,669 |
| **Current assets** | | **108,514,905** | 102,013,557 |
| **Total assets** | | **230,805,026** | 208,944,476 |
| | | | |
| **Equity** | | | |
| Share capital | 12 | **90,000,000** | 90,000,000 |
| Statutory reserve | 13 | **16,511,335** | 12,668,772 |
| Foreign currency translation reserve | | **(205,046)** | (22,301) |
| Retained earnings | | **82,434,116** | 77,997,581 |
| **Total equity** | | **188,740,405** | 180,644,052 |
| | | | |
| **Liabilities** | | | |
| Employee benefits | 14 | **10,911,848** | 6,148,777 |
| Long term provisions | | **103,944** | -- |
| Lease liability | 15 | **5,733,920** | 1,738,771 |
| **Non-current liabilities** | | **16,749,712** | 7,887,548 |
| | | | |
| Lease liability - current portion | 15 | **3,106,578** | 909,376 |
| Trade and other payables | 16 | **3,901,305** | 19,378 |
| Accrued expenses | 17 | **12,665,961** | 16,727,308 |
| Accrued zakat and income tax | 18 | **5,641,065** | 2,756,814 |
| **Current liabilities** | | **25,314,909** | 20,412,876 |
| **Total liabilities** | | **42,064,621** | 28,300,424 |
| **Total equity and liabilities** | | **230,805,026** | 208,944,476 |

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| **Revenue** | | | |
| Management services | | **55,442,174** | 78,368,025 |
| Arrangement and advisory services | | **50,541,968** | 20,411,746 |
| Operational investments | | **3,701,680** | 3,873,345 |
| Total revenue | | **109,685,822** | 102,653,116 |
| | | | |
| **Operating expenses** | | | |
| Employee related costs | 20 | **(41,377,542)** | (30,850,497) |
| Marketing and promotion expenses | | **(1,141,138)** | (321,376) |
| General and administrative expenses | 19 | **(27,852,590)** | (18,822,359) |
| Impairment on trade receivable | 9 | **(441,400)** | -- |
| Gain on investments at FVTPL | | **4,019,556** | 5,027,029 |
| Total operating expenses | | **(66,793,114)** | (44,967,203) |
| | | | |
| **Operating profit** | | **42,892,708** | 57,685,913 |
| | | | |
| Other income | | **1,304,725** | 1,711,300 |
| Finance cost | 15 | **(179,887)** | (293,901) |
| Foreign currency (loss) / gain | 21 | **(361,286)** | 354,603 |
| **Profit before zakat and income tax** | | **43,656,260** | 59,457,915 |
| | | | |
| Zakat and income tax | 18 | **(5,230,621)** | (2,757,569) |
| | | | |
| **Profit for the year** | | **38,425,639** | 56,700,346 |
| | | | |
| **Other comprehensive income** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement of defined benefit liability | 14 | **(146,540)** | (251,319) |
| **Items that are or may be reclassified subsequently to profit or loss** | | | |
| Foreign operations - foreign currency translation reserve | | **(182,746)** | (49,726) |
| **Other comprehensive income / (loss) for the year** | | **(329,286)** | (301,045) |
| **Total comprehensive income for the year** | | **38,096,353** | 56,399,301 |
| **Basic and diluted earnings per share** | 22 | **4.27** | 6.30 |

| | SHARE CAPITAL | STATUTORY RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | RETAINED EARNINGS/ ACCUMULATED LOSSES | TOTAL EQUITY |
|---|---|---|---|---|---|
| Balance as at 1 January 2021 | 90,000,000 | 6,998,737 | 27,425 | 57,218,589 | 154,244,751 |
| Profit for the year | -- | -- | -- | 56,700,346 | 56,700,346 |
| Other comprehensive loss | -- | -- | (49,726) | (251,319) | (301,045) |
| Total comprehensive income for the year | -- | -- | (49,726) | 56,449,027 | 56,399,301 |
| Transfer to statutory reserve | -- | 5,670,035 | -- | (5,670,035) | -- |
| Dividends paid (note 12) | -- | -- | -- | (30,000,000) | (30,000,000) |
| Balance at 31 December 2021 | 90,000,000 | 12,668,772 | (22,301) | 77,997,581 | 180,644,052 |
| Profit for the year | -- | -- | -- | 38,425,639 | 38,425,639 |
| Other comprehensive income | -- | -- | (182,746) | (146,540) | (329,286) |
| **Total comprehensive income for the year** | -- | -- | (182,746) | 38,279,099 | 38,096,353 |
| Transfer to statutory reserve | -- | 3,842,564 | -- | (3,842,564) | -- |
| Dividends paid (note 12) | -- | -- | -- | (30,000,000) | (30,000,000) |
| **Balance at 31 December 2022** | **90,000,000** | **16,511,336** | **(205,047)** | **82,434,116** | **188,740,405** |

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before zakat | | **43,656,260** | 59,457,915 |
| Adjustments for: | | | |
| Depreciation on property and equipment | 4 | **627,081** | 1,480,275 |
| Depreciation on right of use assets | 8 | **1,618,696** | 1,135,330 |
| Tax on subsidiaries | | **156,703** | -- |
| Amortization on intangible assets | 5 | **127,667** | 108,909 |
| Finance cost | 15 | **179,887** | 293,901 |
| Impairment on trade receivable | 9 | **441,400** | -- |
| Fair value gain on investment at FVTPL | | **(5,640,937)** | (5,027,029) |
| Loss on disposal of property and equipment | | **181** | 3,711 |
| Loss / (gain) on sale of investment | | **(4,035)** | 10,000 |
| Foreign exchange loss / (gain) on investment | | **1,621,382** | (248,098) |
| Employee benefits | 14 | **5,338,601** | 837,784 |
| | | **48,122,886** | 58,052,698 |
| Changes in | | | |
| Increase in trade and other receivables | | **(20,271,333)** | (13,440,832) |
| Increase in prepayments | | **(108,698)** | (585,602) |
| Increase in trade and other payables | | **3,881,927** | (665,659) |
| Increase in accrued expenses | | **(4,061,347)** | 8,292,506 |
| Cash generated from operating activities | | **27,563,435** | 51,653,111 |
| Zakat paid | 18 | **(2,503,072)** | (1,305,499) |
| Employees' benefits paid | 14 | **(722,070)** | (111,549) |
| **Net Cash generated from operating activities** | | **24,338,293** | 50,236,063 |
| | | | |
| **Cash flow from investing activities** | | | |
| Investment made during the year | | **(10,660,437)** | (29,374,782) |
| Proceeds from sale of investments | | **6,174,476** | 41,219,944 |
| Additions in property and equipment | 4 | **(565,499)** | (252,039) |
| Additions in intangible assets | 5 | **--** | (83,280) |
| **Net cash (used in) /generated from investing activities** | | **(5,051,460)** | 11,509,843 |
| | | | |
| **Cash flow from financing activities** | | | |
| Payments for leases made during the year | 15 | **(2,545,117)** | (1,435,293) |
| Dividends paid | 12 | **(30,000,000)** | (30,000,000) |
| **Net cash used in financing activities** | | **(32,545,117)** | (31,435,293) |
| **Net change in cash and cash equivalents** | | **(13,258,284)** | 30,310,613 |
| Effect of currency exchange rates on cash and cash equivalents | | **(178,999)** | (49,726) |
| Cash and cash equivalents at 1 January | | **69,942,669** | 39,681,782 |
| **Cash and cash equivalents at 31 December** | 11 | **56,505,386** | 69,942,669 |

## 1- REPORTING ENTITY

Sidra Capital Company ("the Company") is a Saudi closed joint stock company registered in Jeddah, Kingdom of Saudi Arabia under Commercial Registration No. 4030187025 on February 25, 2009, corresponding to Safar 30,1430H. In accordance to the Regulations and Company's By-Laws, the Company commenced its operation as per the resolution of Ministry for Commerce and Industry, dated January 24, 2009, corresponding to Muharram 27, 1430H.

The Company's principal activities are Dealing, Managing Investments and Operating Funds, Arranging, Advising and Custody with respect to the securities business as per the license issued by The Capital Market Authority (CMA) number 08116-37 on September 1, 2008 and renewed for the period from 1 July 2022 to 30 June 2023.
The registered office of the Company is located at the following address:

3rd Floor, Al Murjanah Tower,
Al Rawdah District,
P.O. Box 118528, Jeddah 21312,
Kingdom of Saudi Arabia.

## 2- BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of Measurement

These consolidated financial statements have been prepared using the accrual basis of accounting and the going concern assumption under the historical cost convention except for the following:

| NAME | POSITION |
|---|---|
| Employee Benefits | Present value of the defined benefit obligation, limited as explained in Note No. 14 |
| Investments | Investments at FVTPL are carried at Fair value of investments as at 31 December 2022 as explained in Note No. 7 |

### (c) Functional and presentation currency

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

### (d) Basis of consolidation

These consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Group has the following subsidiaries as at December 31, 2022:

| NAME OF THE SUBSIDIARY | COUNTRY OF INCORPORATION | EFFECTIVE OWNERSHIP INTEREST (%) 2022 | 2021 |
|---|---|---|---|
| Sidra Capital (UK) Limited | England and Wales | **100%** | 100% |
| Sidra Capital Limited * | Dubai – United Arab Emirates | **100%** | 100% |
| Sidra Capital PTE. Limited | Singapore | **100%** | 100% |

*The Group acquired the shares in Sidra Capital Limited at the end of the year 2021.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

## 2- BASIS OF PREPARATION (CONTINUED)

### (d) Basis of consolidation (continued)

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Consolidated financial statements are prepared for the subsidiaries to the same financial year of the parent Company and using the same accounting policies adopted by the parent Company. If one of the subsidiary use accounting policies other than those adopted in the consolidated financial statements for similar transactions and events in similar circumstances, appropriate adjustments are made to that Group subsidiary's financial statements, in preparing the consolidated financial statements to ensure conformity with the International Financial Reporting Standards.

### (e) Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

Critical accounting judgments and estimates

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Useful lives and residual value of property and equipment, right of use of asset and intangibles

The management determines the estimated useful lives of property and equipment, right of use of asset and intangibles for calculating depreciation / amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation method and useful lives annually and future depreciation / amortization charges are adjusted where management believes these differ from previous estimates.

(ii) Impairment of non-financial assets

The Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

## 2- BASIS OF PREPARATION (CONTINUED)

### (e) Significant accounting judgements, estimates and assumptions (continued)

Critical accounting judgments and estimates (continued)

#### (ii) Impairment of non-financial assets

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income.

#### (iii) Employee benefits

The cost of the defined benefit plan (end of service benefits) and the present value of the end of service benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

#### (iv) Impairment of trade and other receivables

The Group follows a life-time expected credit loss model for the impairment of trade and other receivables, this requires the Group to take into consideration, certain estimates for toward looking factors while calculating probability of default.

#### (v) Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Head of Finance Division.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note No. 3(f) – financial assets and liabilities.

## 3- SIGNIFICANT ACCOUNTING POLICIES

Except for what is mentioned in note (25), the accounting policies applied in these consolidated financial statements are the same as those applied in the last annual consolidated financial statements. The following is the most significant accounting policies applied by the Group:

### (a) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

**Assets:**

An asset is current when it is:

- expected to be realized or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

**Liabilities:**

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

### (b) Property and equipment

#### (i) Initial recognition and measurement

Items of property and equipment are initially recognized at cost. Subsequent measurement is done at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an acquired item of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of bringing the item to working condition for its intended use.

Parts of an item of property and equipment having varying useful lives are accounted for as separate component of property and equipment, if considered significant.

#### (ii) Depreciation

Property and equipment are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

| | YEARS |
|---|---|
| Leasehold improvements | Shorter of lease term or useful life of 5 years |
| Furniture and fixtures | 10 |
| Office equipment | 2-4 |
| Computer | 2-4 |

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amounts. These are included in the consolidated statement of profit or loss and other comprehensive income. Property and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Property and equipment (continued)

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalized when it is probable that future economic benefits deriving from the cost incurred will flow to the Group and the cost of the item can be measured reliably.

#### (iv) De-recognition

Property and equipment is derecognized when no future economic benefits are expected from their use or upon their disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the separate statement of profit or loss.

### (c) Intangible assets

Intangible assets, other than goodwill, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

Amortization is calculated over the cost of the asset less its residual value and is recognized in statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of four years, intangible assets (software) from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

### (d) Leases

At inception of a contract, the Company assesses whether a 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 of time in exchange for consideration.

#### (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property or equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Leases (continued)

(i) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

***Short-term leases and leases of low-value assets***

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (e) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification and subsequent measurement

**Financial assets**

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income ("FVOCI") – debt investment;
- FVOCI – equity investment; or
- FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Group 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.

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

The Group has designated its financial assets as follows:

- Investment in public equities and funds at FVTPL;
- Investment in private equities and funds at FVTPL;
- Investments in mutual funds at FVTPL;
- Murabaha investment at amortized cost; and
- Sukuk investments at amortized cost.

**Financial assets – Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial 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;
- These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's 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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on affair value basis is measured at FVTPL

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

<u>Financial assets – Subsequent measurement and gains and losses</u>

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by expected credit losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Financial instruments (continued)

### (ii) Classification and subsequent measurement (continued)

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in combined special purpose statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in combined special purpose statement of profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. The Group has not designated any financial liabilities at FVTPL.

### (i) Derecognition

**Financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

**Classification of financial liabilities**

The Group classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss.

Financial liabilities classified as FVTPL using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the profit and loss.

### (i) Offsetting

Financial assets and financial liabilities are offset and reported net in the combined special purpose statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### (ii) Interest and dividend income on financial asset carried at amortized cost

**Interest income**

Interest income is recognized in profit or loss on the effective yield basis.

**Dividend income**

Dividend income is recognized when the right to receive payment is established. Dividend income is recognized in profit or loss irrespective of the classification of the corresponding financial instrument.

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an 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.

### (g) Trade and other payable, accruals and other current liabilities

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

### (h) Employee Benefits

Employee benefits comprise of Post-employment benefits. The Group's net obligations in respect of defined unfunded post-employment benefit plan ("the plan") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Group's present value of the obligation. As at the consolidated statement of financial position date, the Group's post-employment defined benefit plan is represented by employees' end of service benefit plan.

**Termination benefits**

Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

**Short term benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (i) Investment property

Investment property is measured initially at its cost and transaction costs are included in the initial measurement. The Group is following cost model for subsequent measurement of investment property that includes land and is subsequently carried at cost less impairment losses.

### (j) Cash and cash equivalents

Cash and cash equivalents represent cash, balances with banks and other financial assets, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

### (k) Zakat and income tax

The Group is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ('ZATCA'). Foreign subsidiary is subject to the relevant income tax regulation in its country of domicile. Zakat and its share in foreign subsidiary income tax is accrued and charged to consolidated statement of profit or loss and other comprehensive income currently. Additional zakat and income tax liability, if any, related to prior years' assessments is accounted for in the period in which the final assessment is finalized.

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Provisions, contingencies and commitments

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management's estimate of the actual amount payable.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed in the consolidated statement of profit or loss and other comprehensive income.

**Contingent liability is:**

1. A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
2. A present obligation that arises from past events but is not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties. For details of Group's contingencies and commitments at the reporting date, please refer note 23.

### (m) Revenue recognition

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue at a point in time when control of the asset is transferred to the customer i.e. when the title and the associated risks and rewards of the services are passed to the customer. The following five steps are followed:

**Step 1.** Identify the contract(s) with a 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 in the contract: 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 Group expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

**Step 4.** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled to, in exchange for satisfying each performance obligation.

**Step 5.** Recognize revenue when (or as) the Group satisfies a performance obligation.

***Management Fees***
Revenue from management services are recognized when the corresponding obligations have been performed.

***Arrangement and Advisory Services***
Arrangement fees are recognized when the deal is finalized with the client and the right to receive the arrangement fee is established.

***Operational Investments***
The Group earns pre-agreed revenue and fixed revenue on the investments in the projects and real estate funds.

## 3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) Expenses

All expenses are classified as general and administrative expenses unless they are incurred for, and directly attributable to, the core revenue generating activities of the Group, in which case they are classified as direct expenses. Allocations of common expenses between direct expenses and general and administrative expenses, where required, are made on a consistent basis, appropriate to the nature of the item of expense and circumstances of the Group.

### (o) Dividends

Final dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Group.

### (p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

### (q) Fiduciary assets

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

## 4- PROPERTY AND EQUIPMENT

Movement in property and equipment during the year ended 31 December 2022 is as follows:

| | LEASEHOLD IMPROVEMENT | FURNITURE AND FIXTURES | OFFICE EQUIPMENT | COMPUTER EQUIPMENT | TOTAL |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2022 | 3,087,170 | 1,931,474 | 1,511,514 | 744,963 | 7,275,121 |
| Additions during the year | 213,824 | 63,964 | 143,979 | 143,732 | 565,499 |
| Disposals | -- | (724,596) | (4,579) | (13,545) | (742,720) |
| Effect of translation | -- | (3,979) | -- | (4,123) | (8,102) |
| **Balance at 31 December 2022** | 3,300,994 | 1,266,863 | 1,650,914 | 871,027 | 7,089,798 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2022 | 2,851,200 | 1,405,147 | 1,203,599 | 574,659 | 6,034,605 |
| Depreciation | 165,332 | 105,616 | 248,333 | 107,800 | 627,081 |
| Disposals | -- | (724,596) | (4,398) | (13,545) | (742,539) |
| Effect of translation | -- | (2,550) | -- | (2,457) | (5,007) |
| Balance at 31 December 2022 | 3,016,532 | 783,617 | 1,447,534 | 666,457 | 5,914,140 |
| **Carrying amount as at 31 December 2022** | 284,462 | 483,246 | 203,380 | 204,570 | 1,175,658 |

Movement in property and equipment during the year ended 31 December 2021 is as follows:

| | LEASEHOLD IMPROVEMENT | FURNITURE AND FIXTURES | OFFICE EQUIPMENT | COMPUTER EQUIPMENT | TOTAL |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 1 January 2021 | 3,087,170 | 1,897,761 | 1,448,820 | 1,302,982 | 7,736,733 |
| Additions during the year | -- | 37,592 | 119,278 | 95,169 | 252,039 |
| Disposals | -- | (3,850) | (56,584) | (653,158) | (713,592) |
| Effect of translation | -- | (29) | -- | (30) | (59) |
| **Balance at 31 December 2021** | 3,087,170 | 1,931,474 | 1,511,514 | 744,963 | 7,275,121 |
| **Accumulated depreciation** | | | | | |
| Balance at 1 January 2021 | 2,100,120 | 1,308,581 | 721,809 | 1,133,701 | 5,264,211 |
| Depreciation | 751,080 | 100,415 | 538,374 | 90,406 | 1,480,275 |
| Disposals | -- | (3,849) | (56,584) | (649,448) | (709,881) |
| Effect of translation | -- | -- | -- | -- | -- |
| Balance at 31 December 2021 | 2,851,200 | 1,405,147 | 1,203,599 | 574,659 | 6,034,605 |
| **Carrying amount as at 31 December 2021** | 235,970 | 526,327 | 307,915 | 170,304 | 1,240,516 |

## 5- INTANGIBLE ASSETS

Movement in intangible assets (represented by computer software) during the year ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| **Cost** | | |
| Balance as at 1 January | **689,838** | 606,558 |
| Additions | **--** | 83,280 |
| Effect of translation | **(598)** | -- |
| **Balance as at 31 December** | **689,240** | 689,838 |
| | | |
| **Accumulated amortization** | | |
| Balance as at 1 January | **456,671** | 347,722 |
| Amortization | **127,667** | 108,909 |
| Effect of translation | **547** | 40 |
| Balance as at 31 December | **584,885** | 456,671 |
| **Carrying amounts** | **104,355** | 233,167 |

## 6- INVESTMENT PROPERTY

Movement in investment property during the year ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Cost as at 1 January and 31 December | **5,125,000** | 5,125,000 |
| **Carrying amount as at 31 December** | **5,125,000** | 5,125,000 |

**6.1** Investment property comprises a land that is a vacant property situated in neighborhood of Al-Manarat in Jeddah in Kingdom of Saudi Arabia.

**6.2** Measurement of fair Values

### (i) Fair Value Hierarchy

The property is located in Kingdom of Saudi Arabia. Fair value of investment property was determined by external, independent property valuers (Ejadah Saudi real estate and Abaad real estate valuation), having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The fair value has been determined using the market value of the property. Market value is the estimated amount for which as asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the investment property have been assessed using Market approach (Sales comparable). Based on the valuation reports, the fair value of the Group's investment property amounted to SR 10 million (31 December 2021: SR 6.3 million).

### (ii) Valuation technique and significant unobservable inputs

Market comparison technique: The valuation model is based on market multiples derived from quoted prices of land comparable to the investee.

## 7- INVESTMENTS

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Investments at amortized cost | 7.1 | **3,570,294** | 2,151,026 |
| Investments at FVTPL | 7.2 | **102,647,175** | 95,556,890 |
| Balance as at 31 December | | **106,217,469** | 97,707,916 |

**7.1** Investments at amortised cost

| | LOCALITY | 2022 | 2021 |
|---|---|---|---|
| Drakehouse | United Kingdom | **1,570,294** | 2,151,026 |
| Investment in Sukuk | Saudi Arabia | **2,000,000** | -- |
| Balance as at 31 December | | **3,570,294** | 2,151,026 |

## 7- INVESTMENTS (CONTINUED)

### 7.2 Investments at FVTPL

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Investment in private equities | 7.2.1 & 7.2.4 | **37,276,017** | 40,700,450 |
| Investments in mutual funds | 7.2.2 & 7.2.5 | **60,899,830** | 49,173,017 |
| Investments in other venture | 7.2.3 | **4,471,328** | 5,683,423 |
| Balance as at 31 December | | **102,647,175** | 95,556,890 |

### 7.2.1 Movement in Investment in private equities

| | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | **40,700,450** | 28,004,338 |
| Additions during the year | **3,661,684** | 18,844,132 |
| Disposals during the year | **(5,625,000)** | (14,103,656) |
| Fair value adjustment for the year | **(1,461,117)** | 7,955,636 |
| Balance as at 31 December | **37,276,017** | 40,700,450 |

### 7.2.2 Movement in Investment in mutual funds

| | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | **49,173,017** | 66,192,939 |
| Additions during the year | **4,998,750** | 10,000,000 |
| Disposals during the year | **(171,000)** | (23,689,514) |
| Fair value adjustment for the year | **6,899,063** | (3,330,408) |
| Balance as at 31 December | **60,899,830** | 49,173,017 |

**7.2.3** Investments in other venture is held in the name of a related party on behalf of the Group.

### 7.2.4 Investment in Private Equities

| | LOCALITY | PERCENTAGE OF HOLDING | 2022 | PERCENTAGE OF HOLDING | 2021 |
|---|---|---|---|---|---|
| **Greycoat Street** | United Kingdom | **1.81%** | **672,859** | 1.81% | 800,000 |
| **Drakehouse** | United Kingdom | **5.58%** | **6,560,471** | 8.34% | 6,347,360 |
| **Industrial Portfolio** | United States of America | **2.89%** | **5,941,499** | 2.89% | 6,740,805 |
| **Quest** | Australia | **0.42%** | **47,007** | 0.38% | 50,279 |
| **Student Accommodation - USSA6P** | United States of America | **2.77%** | **8,465,495** | 2.77% | 7,529,301 |
| **Industrial Portfolio - 30 Properties** | United States of America | **2.63%** | **8,861,237** | 2.63% | 10,855,506 |
| **Arborcrest** | United States of America | **0.19%** | **589,097** | 0.19% | 471,762 |
| **AIC Heartland** | United States of America | **1.89%** | **3,555,407** | 5.02% | 622,500 |
| **10K Energy Drive** | United States of America | **0.25%** | **416,566** | 0.27% | 625,511 |
| **Okmount JLL** | United States of America | **3.07%** | **1,311,248** | 7.82% | 6,657,426 |
| **Blackrock** | United States of America | **5%** | **855,131** | -- | -- |
| **Closing balance** | | | **37,276,017** | | 40,700,450 |

## 7- INVESTMENTS (CONTINUED)

**7.2.5** Investment in Mutual Funds

| | LOCALITY | PERCENTAGE OF HOLDING | 2022 | PERCENTAGE OF HOLDING | 2021 |
|---|---|---|---|---|---|
| **Ancile Fund** | Luxembourg | **2.43%** | **15,779,639** | 3.50% | 12,300,868 |
| **Deco Opes** | Luxembourg | **--** | **--** | 0.75% | 288,018 |
| **Investcorp Gulf Institutional Private Equity Fund** | United States of America | **0.5%** | **353,339** | 0.38% | 428,527 |
| **Investcorp Private Equity Fund** | United States of America | **5.61%** | **23,207,598** | 17.08% | 19,000,000 |
| **Investcorp China IPO Fund** | United States of America | **8.66%** | **1,887,516** | 8.66% | 2,676,624 |
| **Sidra Income Fund** | Saudi Arabia | **3.06%** | **10,254,038** | 2.67% | 5,033,480 |
| **Sidra Residential Development Fund** | Saudi Arabia | **17.80%** | **9,417,700** | 43.01% | 9,445,500 |
| **Closing balance** | | | **60,899,830** | | 49,173,017 |

**7.2.6** This represents Group's investment in private equity via equity injection and additional funding in the form of shareholder loan that does not carry a fixed repayment or return. The Group does not intend to call the additional funding in the foreseeable future. The entities have been established as part of structures for onward investment in real estate properties held for income generation and development.

**7.2.7** At the reporting date, the investee funds comprise of trade finance based in Luxembourg, Saudi Arabia. As for real estate funds they are domiciled in Jersey and Cayman island.

**7.2.8** Fair value adjustments during the year represented by an amount of SAR 5,640,937 resulted from fair value adjustment and an amount of SAR (1,621,382) resulted from foreign exchange

## 8- RIGHT OF USE OF ASSET

The amount represents the leased offices right of use as at 31 December , and the details are as follows:

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January | | **5,246,876** | 4,071,212 |
| Additions during the year | | **8,877,424** | 1,178,231 |
| Disposals | | **(1,712,945)** | -- |
| Effect of translation | 20 | **(94,178)** | (2,567) |
| Balance at 31 December | | **12,317,177** | 5,246,876 |

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January | | **2,622,556** | 1,489,023 |
| Depreciation | | **1,618,696** | 1,135,330 |
| Disposals | | **(1,506,953)** | -- |
| Effect of translation | 20 | **(84,761)** | (1,797) |
| Balance at 31 December | | **2,649,538** | 2,622,556 |
| Balance at 31 December | | **9,667,639** | 2,624,320 |

## 9- TRADE AND OTHER RECEIVABLES

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Trade receivables | | **11,334,111** | 11,875,124 |
| Due from related parties - trade receivables | | **411,498** | 6,847,139 |
| Accrued income * | | **36,856,577** | 11,162,833 |
| Other receivable | 20 | **3,879,696** | 2,325,453 |
| Gross trade and other receivables | | **52,481,882** | 32,210,549 |
| Less: Provision for bad debts | | **(2,442,622)** | (2,001,222) |
| Net trade and other receivables | | **50,039,260** | 30,209,327 |

*Accrued income has balances with related parties amounting to SR 2.5 million in 2022 (SR 0.05 million in 2021)

## 9- TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements in the allowance for impairment in respect of trade receivables (including the specific provision against accrued income) during the year was as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at the beginning of the year | **2,001,222** | 2,001,222 |
| Charge for the year | **441,400** | -- |
| Balance at the end of the year | **2,442,622** | 2,001,222 |

## 10- PREPAYMENTS

| | 2022 | 2021 |
|---|---|---|
| Prepayments | **1,970,259** | 1,861,561 |
| | **1,970,259** | 1,861,561 |

## 11- CASH AND CASH EQUIVALENTS

| | 2022 | 2021 |
|---|---|---|
| Cash in hand | **18,020** | 17,000 |
| Cash at bank on current account – local currency | **26,768,530** | 17,063,078 |
| Murabaha deposits | **17,625,000** | -- |
| Cash at bank on current accounts – foreign currency | **12,093,836** | 52,862,591 |
| | **56,505,386** | 69,942,669 |

**11.1** During the year ended 31 December 2022, the Group incurred foreign exchange gain / loss amounting to SR 0.143 million (2021: SR 0.049 million) on account of translation of foreign currency denominated monetary assets into Group's functional currency, including cash at bank in foreign currency accounts.

**11.2** In addition to the cash at bank disclosed above, the Group has certain bank accounts wherein client money is being held in the fiduciary capacity.

## 12- SHARE CAPITAL

On 30 November 2021 a letter was sent to the CMA to approve the transfer of ownership of Sidra capital from Al Murjan Group Holding Limited to the ultimate shareholders of Al Murjan Group Holding Limited. This was merely a decision of the Shareholders to simplify the structure. The CMA approved this transaction on January 2022.

As at 31 December 2022 the share capital of the Group amounting to SR 90,000,000 (2021: SR 90,000,000) is divided into 9,000,000 shares (2021: 9,000,000 shares) of SR 10 each (2021: SR 10 each) is as follows:

| | 31 DECEMBER 2022 | | |
|---|---|---|---|
| NAME OF THE SUBSIDIARY | PERCENTAGE HOLDING | NO. OF SHARES | SHARE CAPITAL |
| Shuaa' Al Fayrooz for Trading and Services Company Limited | 12.375% | 1,113,750 | 11,137,500 |
| Dar Tajah Global for Trading and Services Company Limited | 17.325% | 1,559,250 | 15,592,500 |
| Dar Al Radhah Developed Company Limited | 33.65% | 3,028,500 | 30,285,000 |
| Al Mann International for Development Company Limited | 28.09% | 2,528,100 | 25,281,000 |
| Sheikh Abdulrahman Khalid Bin Mahfouz | 6.56% | 590,400 | 5,904,000 |
| Sheikh Sultan Khalid Bin Mahfouz | 1% | 90,000 | 900,000 |
| Talid Arabia Trading | 1% | 90,000 | 900,000 |
| | **100%** | **9,000,000** | **90,000,000** |

## 12- SHARE CAPITAL (CONTINUED)

| | 31 DECEMBER 2021 | | |
|---|---|---|---|
| **NAME OF THE SUBSIDIARY** | PERCENTAGE HOLDING | NO. OF SHARES | SHARE CAPITAL |
| Al Murjan Group Holding Limited | 91.44% | 8,229,600 | 82,296,000 |
| Sheikh Abdulrahman Khalid Bin Mahfouz | 6.56% | 590,400 | 5,904,000 |
| Sheikh Sultan Khalid Bin Mahfouz | 1% | 90,000 | 900,000 |
| Talid Arabia Trading | 1% | 90,000 | 900,000 |
| | 100% | 9,000,000 | 90,000,000 |

During the year ended December 31, 2022, the shareholders approved dividend of SR 30,000,000 (2021: SR 30,000,000) in the meeting held on November 27, 2022.

## 13- STATUTORY RESERVE

In accordance with the Company's By-Laws, the Group established a statutory reserve by the appropriation of 10% of net income until the reserve is equal 30% of the share capital. This reserve is not available for divided distribution.

## 14- EMPLOYEE BENEFITS

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The amount recognized in the consolidated statement of financial position is determined as follows:

| | **2022** | 2021 |
|---|---|---|
| Present value of defined benefit obligation | **10,911,848** | 6,148,777 |

An independent actuarial exercise has been conducted as at 31 December 2022 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

***Movement in net defined liability***

The movement in the present value of the end-of-service benefits over the year is as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at 1 January | **6,148,777** | 5,171,223 |
| **Included in profit or loss** | | |
| Current service cost | **1,542,921** | 739,847 |
| Interest cost | **143,555** | 97,937 |
| Total | **1,686,476** | 837,784 |
| **Included in other comprehensive income** | | |
| Actuarial loss arising from: | | |
| - financial assumptions | **146,540** | 251,319 |
| - experience adjustments | **--** | -- |
| Total | **146,540** | 251,319 |
| **Other** | | |
| Transfer | **3,652,125** | -- |
| Benefits paid | **(722,070)** | (111,549) |
| **Balance at 31 December** | **10,911,848** | 6,148,777 |

## 14- EMPLOYEE BENEFITS (CONTINUED)

The expense is recognized in the following line items in the consolidated statement of profit or loss and other comprehensive income:

| | **2022** | 2021 |
|---|---|---|
| Employee related costs | **1,686,476** | 739,847 |
| General and administration expenses - Other | **--** | 97,937 |

### Actuarial assumptions

The main actuarial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows (expressed as weighted averages):

| | **2022** | 2021 |
|---|---|---|
| **Financial assumptions** | **4.50%** | 2.30% |
| Discount rate | **4.50%** | 2.30% |
| Future salary growth/ expected rate of salary increase | | |
| **Demographic assumptions** | | |
| Mortality | **0.075%** | 0.075% |
| Retirement age | **60 years** | 60 years |
| Turnover (age wise) | **Heavy** | Heavy |

*Total number of employees have increased in 2022 to 77 (2021: 62

### Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

At the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **INCREASE** | **DECREASE** | INCREASE | DECREASE |
| Discount rate (0.5% movement) | **424,684** | **356,279** | (220,608) | 234,701 |
| Future salary growth (0.5% movement) | **356,834** | **424,379** | 243,905 | (231,331) |
| Employee turnover (Medium to High) | **High** | **--** | High | -- |

As at 31 December 2022, the weighted average duration of the defined benefit obligation is 5.91 years (31 December 2021: 7.39 years).

During the year ended 31 December 2022, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labor and Work-men Law by using the Projected Unit Credit Method as required under IAS 19.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 15- LEASE LIABILITY

| | **2022** | 2021 |
|---|---|---|
| Lease liability – current portion | **3,106,578** | 909,376 |
| Lease liability – long term portion | **5,733,920** | 1,738,771 |
| Lease liability as at 31 December | **8,840,498** | 2,648,147 |

## 15- LEASE LIABILITY (CONTINUED)
**Movement in lease liability**

| | 2022 | 2021 |
|---|---|---|
| Lease liability as at 1 January | **2,648,147** | 2,611,307 |
| Additions during the year | **8,773,482** | 1,178,232 |
| Finance cost | **179,887** | 293,901 |
| Repayments made during the year | **(2,545,117)** | (1,435,293) |
| Disposals | **(205,988)** | -- |
| Effect of translation | **(9,913)** | -- |
| Lease liability as at 31 December | **8,840,498** | 2,648,147 |

The group used a discount rate of 4.46% for leases contract.

## 16- TRADE AND OTHER PAYABLES

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Due to related parties | 22 | **1,539,765** | 16,976 |
| Accounts payable | | **2,361,540** | 2,402 |
| | | **3,901,305** | 19,378 |

## 17- ACCRUED EXPENSES

| | 2022 | 2021 |
|---|---|---|
| Accrued staff cost | **5,384,656** | 7,020,884 |
| Accrued expenses | **7,281,303** | 9,706,424 |
| | **12,665,961** | 16,727,308 |

## 18- ZAKAT AND INCOME TAX
**18.1** At 31 December accrued Zakat and income tax comprise of the following:

| | 2022 | 2021 |
|---|---|---|
| Accrued zakat | **5,484,363** | 2,756,814 |
| Accrued income tax | **156,702** | -- |
| Accrued zakat and income tax | **5,641,065** | 2,756,814 |

**18.2** Zakat and tax charge for the year comprise of the following:

| | 2022 | 2021 |
|---|---|---|
| Zakat charge | **5,230,621** | 2,757,569 |
| Tax Charge* | **156,702** | -- |
| | **5,387,323** | 2,757,569 |

*Tax charge is booked under general and administrative expenses and is related to Sidra SG.

**18.3** Zakat charge for the year ended December 31 has been calculated on Zakat base, Zakat base is equity netted of by book value of long-term assets, the components of which are as follows:

| | 2022 | 2021 |
|---|---|---|
| Equity | **150,666,353** | 154,217,326 |
| Opening allowances and other adjustments | **14,394,122** | 16,074,909 |
| Book value of long-term assets | **(6,712,451)** | (106,844,483) |
| Zakat able profit / (loss) for the year | **45,956,392** | 44,704,222 |
| Zakat base higher of adjusted net loss or Zakat base | **204,304,416** | 108,151,974 |

Some of the aforementioned amounts have been adjusted (consistent with Zakat rules) in arriving at the Zakat charge for the year.

### 18- ZAKAT AND INCOME TAX (CONTINUED)

**18.4** Movement in accrued zakat and income tax during the year ended 31 December is as follows:

| | 2022 | 2021 |
|---|---|---|
| 1 January | **2,756,814** | 1,304,744 |
| Charge for the year | **5,386,575** | 2,757,569 |
| Payments during the year | **(2,503,072)** | (1,305,499) |
| Currency translation | **748** | -- |
| 31 December | **5,641,065** | 2,756,814 |

**18.5** The Group has filed Zakat returns up to the financial year ended 31 December 2021 with the Zakat, Tax, and Customs Authority ("ZATCA"), and has obtained Zakat certificate which is valid up to 30 April 2023.

**18.6** ZATCA raised assessments for the years 2015, 2016, and 2017 assessing additional Zakat liability of SAR 1,179,772, SAR 1,369,837 and SAR 1,460,974, respectively. The Group filed objection against the assessment with ZATCA which were rejected and the Group filed appeal against the ZATCA rejection with the Tax Violation and Dispute Resolution Committee (TVDRC) of the General Secretariate of Tax Committees (GSTC). The decision by TVDRC was rendered which was partially rejected. The Group escalated the appeal against TVDRC rejection with the Appeal Committee for Tax Violations and Disputes (ACTVD) of GSTC and the appeal awaits the ACTVD review of the case in accordance with the relevant regulations.

**18.7** For the years 2018 and 2019, ZATCA raised assessments assessing additional Zakat liability of SAR 1,469,892 and SAR 2,294,815 respectively. The Group filed objection against ZATCA assessment which was rejected by ZATCA. The Group filed appeal against the ZATCA rejections with the TVDRC of GSTC and is currently under review.

**18.8** For the years 2020 and 2021, no assessment has been raised by ZATCA up to date.

### 19- GENERAL AND ADMINISTRATIVE EXPENSES

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Office Rent, Utilities and Other expenses | | **504,461** | 882,346 |
| Consultancy | | **14,726,871** | 9,744,642 |
| Depreciation | 4 & 8 | **2,245,777** | 2,615,605 |
| Amortization | 5 | **127,667** | 108,909 |
| Insurance | | **1,018,634** | 517,324 |
| Travelling | | **1,852,469** | 293,548 |
| IT and internet | | **822,782** | 510,657 |
| Board and audit committee compensations | | **1,300,000** | 900,000 |
| Others | | **5,253,929** | 3,249,328 |
| | | **27,852,590** | 18,822,359 |

### 20- EMPLOYEE RELATED COSTS

| | NOTE | 2022 | 2021 |
|---|---|---|---|
| Wages, Salaries and allowances | | **26,827,780** | 18,075,279 |
| End of service benefits | 14 | **1,686,476** | 837,784 |
| Other expenses | | **12,863,286** | 11,937,434 |
| | | **41,377,542** | 30,850,497 |

### 21- FOREIGN CURRENCY (LOSS) / GAIN

During the year, the Group has recognized the foreign currency gains / (losses) on cash and cash equivalents, investments and trade and other receivables and payables.

## 22- BASIC AND DILUTED EARNINGS PER SHARE18.4

Basic earnings per share have been computed by dividing the profit for the year attributable to the owners of the parent company by the number of shares outstanding during the year. As there are no diluted shares outstanding, basic and diluted earnings per share are identical.

The earnings per share calculation is given below:

| | 2022 | 2021 |
|---|---|---|
| Profit for the year | **38,425,639** | 56,700,346 |
| Weighted average number of shares outstanding | **9,000,000** | 9,000,000 |
| Profit per share (Saudi Arabian Riyals) – Basic and Diluted | **4.27** | 6.30 |

## 23- RELATED PARTY TRANSACTIONS

Transactions with the related parties mainly represent payments on behalf and loans to and from entities within the Group that are undertaken in the ordinary course of business on mutually agreed terms between the parties and approved by the management. Related parties also include the Shareholders, key management personnel and their close family members.

### (a) Due from related parties as at 31 December are comprised of the following:

| NAME OF ENTITY | NATURE OF TRANSACTIONS | AMOUNT OF TRANSACTION | | BALANCE AS AT 31 DECEMBER | |
|---|---|---|---|---|---|
| | | **2022** | 2021 | **2022** | 2021 |
| Al Murjan International Holding Company Limited | Expenses incurred on behalf of related party | **3,857,316** | 1,014,744 | **233,539** | 66,299 |
| | Management Fees | **7,500,000** | 7,905,908 | | |
| Tawazon Al-Enjaz | Expenses incurred on behalf of related party | **300,000** | 64,340 | **--** | -- |
| Azalea Services (PTC) LTD. British Virgin Islands | Revenue generated from related party | **7,500,000** | 6,779,493 | **--** | 6,780,840 |
| Al-Murjan Investment R.E. Development Co. | Revenue generated from related party | **566,084** | -- | **177,959** | -- |
| Sidra Income Fund | Management Fees | **7,704,924** | 2,628,097 | **2,205,630** | -- |
| Sidra Capital Residential | Management Fees | **575,999** | 196,011 | **151,126** | 59,761 |
| SCHW Properties Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCAZ Properties Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCGW Holdings Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCBL Holdings Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCJS Holdings Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCTS Properties Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| KINNAIRD House Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCHH Holdings Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCWS Properties Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SC37 Group Limited | Revenue generated from related party | **--** | 20,910 | **--** | -- |
| SCCP Properties Limited | Revenue generated from related party | **--** | 20,736 | **--** | -- |
| SC 10K Holding Company, LLC | Revenue generated from related party | **--** | 1,874,627 | **--** | -- |
| SCBG Funding Limited | Revenue generated from related party | **--** | 97,825 | **--** | -- |
| SC Arborcrest Holding Company | Revenue generated from related party | **--** | 1,487,204 | **--** | -- |
| | | | | **2,952,980** | 6,847,139 |

## 23- RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Due to related parties as at 31 December are comprised of the following:

| NAME OF ENTITY | NATURE OF TRANSACTIONS | AMOUNT OF TRANSACTION | | BALANCE AS AT 31 DECEMBER | |
|---|---|---|---|---|---|
| | | **2022** | 2021 | **2022** | 2021 |
| Al Murjan international Holding Company Limited | Expenses incurred on behalf of related party | **--** | 1,090,631 | **--** | 16,976 |
| Azalea Services (PTC) LTD. British Virgin Islands | Expenses incurred on behalf of related party | **4,448,558** | -- | **1,539,765** | -- |
| Al-Murjan Investment R.E. Development Co | Office Rent | **906,231** | 754,613 | **--** | -- |
| Key Rent Car Company | Car Rental | **129,975** | 33,670 | **--** | -- |
| | | | | **1,539,765** | 16,976 |

### (c) Transactions with key management personnel

i. Key management personnel compensation comprised the following

| | **2022** | 2021 |
|---|---|---|
| Short term employee benefits | **11,723,357** | 9,667,515 |
| Post-employment benefits | **2,918,737** | 2,707,061 |

Compensation to key management personnel includes salaries and contributions to post-employment defined benefit plan

## 24- CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at 31 December 2022.

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT

### Accounting classification and fair values

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

Financial assets and liabilities that are measured at fair value:

| | CARRYING AMOUNT | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|
| **31 DECEMBER 2022** | **FVTPL** | **AMORTISED COST** | **LEVEL1** | **LEVEL2** | **LEVEL3** | **LEVEL4** |
| Financial assets | **102,647,175** | **--** | **--** | **60,899,832** | **41,747,343** | **102,647,175** |
| Investments | **102,647,175** | **--** | **--** | **60,899,832** | **41,747,346** | **102,647,175** |

| | CARRYING AMOUNT | | FAIR VALUE | | | |
|---|---|---|---|---|---|---|
| **31 DECEMBER 2021** | FVTPL | **AMORTISED COST** | LEVEL1 | LEVEL2 | LEVEL3 | LEVEL4 |
| Financial assets | 95,556,890 | -- | -- | 49,173,017 | 46,383,873 | 95,556,890 |
| Investments | 95,556,890 | -- | -- | 49,173,017 | 46,383,873 | 95,556,890 |

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

During the year ended 31 December 2022 and 2021 there were no transfers between level 1 and level 2 fair value measurements.

Financial assets and liabilities that are not measured at fair value:

| | | FAIR VALUE | | | |
|---|---|---|---|---|---|
| **31 DECEMBER 2022** | **CARRYING AMOUNT** | **LEVEL1** | **LEVEL2** | **LEVEL3** | **LEVEL4** |
| Financial Assets: | | | | | |
| Cash and cash equivalents | **56,505,386** | -- | -- | -- | -- |
| Investments at amortised cost | **3,570,294** | -- | -- | -- | -- |
| Trade and other receivables | **50,039,260** | -- | -- | -- | -- |
| | **110,114,940** | -- | -- | -- | -- |
| Financial Liabilities: | | | | | |
| Trade and other payables | **3,901,305** | -- | -- | -- | -- |
| Lease liability | **8,840,498** | -- | -- | -- | -- |
| | **12,741,803** | | | | |

| | | FAIR VALUE | | | |
|---|---|---|---|---|---|
| 31 DECEMBER 2021 | CARRYING AMOUNT | LEVEL1 | LEVEL2 | LEVEL3 | LEVEL4 |
| Financial Assets: | | | | | |
| Cash and cash equivalents | 69,942,669 | -- | -- | -- | -- |
| Investments at amortised cost | 2,151,026 | -- | -- | -- | -- |
| Trade and other receivables | 30,209,327 | -- | -- | -- | -- |
| | 102,303,022 | -- | -- | -- | -- |
| Financial Liabilities: | | | | | |
| Trade and other payables | 19,378 | -- | -- | -- | -- |
| Lease liability | 2,648,147 | -- | -- | -- | -- |
| | 2,667,525 | | | | |

### Measurement of fair values

#### i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant
unobservable inputs used.

Financial instruments measured at fair value

| **TYPE** | **VALUATION TECHNIQUE** | **SIGNIFICANT UNOBSERVABLE INPUTSE** | **INTER-RELATIONSHIP BETWEEN SIGNIFICANT UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENTS** |
|---|---|---|---|
| Private equities and other venture investments | Investments in private equities and other venture are carried at fair value by taking the effective holding percentage of fair value of property less any third-party loans and losses incurred by SPVs. The market value of the property calculated under discounted cash flows method: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate. | Expected future payments and discount rate | The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower); or the risk-adjusted discount rate were lower (higher) |
| Mutual funds | The Investment in mutual funds are also carried at FVTPL and carried at NAV of the mutual fund of 31 December 2022 & 2021 | Net assets of the mutual fund | The estimated fair value would increase (decrease) if: the expected cash flows were higher (lower) |

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

**Level 3 recurring fair values**

Movement in fair value of Financial Assets under level 3 for the year ended is as follow:

| | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | **46,383,873** | 32,823,785 |
| Net movement in fair value | **(2,673,212)** | 8,819,613 |
| Additions During the year | **3,661,682** | 18,844,131 |
| Disposals During the year | **(5,625,000)** | (14,103,656) |
| Balance as at 31 December | **41,747,343** | 46,383,873 |

During the year ended 31 December 2022 and 2021 there were no transfers between level 1 and level 2 fair value measurements.

Financial assets and liabilities that are not measured at fair value:
As at 31 December 2022 and 2021, the carrying values of the Company's financial assets and financial liabilities are a reasonable approximation of their fair values

**Financial risk management**
The Group has exposure to the following risks arising from financial instruments:

(i) credit risk
(ii)liquidity risk, and
(iii) market risk

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

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

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group's activities expose it to certain financial risks. Such financial risk emanates from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

### (i) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in private equities and mutual funds.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and trade and other receivable recognised in profit or loss were as follows.

| | 2022 | 2021 |
|---|---|---|
| Impairment loss / (gain) on trade receivables arising from contracts with customers | **441,400** | -- |

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### Financial risk management (continued)

#### (ii) Credit risk (continued)

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate

The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable for which no loss allowance is recognised because of collateral.

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

| | **31 DECEMBER 2022** | 31 DECEMBER 2021 |
|---|---|---|
| **Financial assets** | | |
| Trade receivables | **11,334,111** | 11,875,124 |
| Due from related parties | **411,498** | 6,847,139 |
| Accrued income | **35,846,645** | 11,162,832 |
| Cash at bank on current account – local currency | **26,768,530** | 17,063,078 |
| Murabaha deposits | **17,625,000** | -- |
| Cash at bank on current accounts – foreign currency | **12,093,836** | 52,862,591 |
| | **104,079,620** | 99,810,764 |

At 31 December 2022, the exposure to credit risk for trade receivables by geographic region was as follows.

| GEOGRAPHIC REGION | **2022** | 2021 |
|---|---|---|
| Saudi Arabia | **9,266,409** | 109,424 |
| UK | **1,270,648** | 17,554,460 |
| Africa | **241,626** | 256,315 |
| USA | **946,229** | -- |
| Others | **20,697** | 802,064 |
| | **11,745,609** | 18,722,263 |

**Expected credit loss assessment for corporate customers**

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

**Financial risk management (continued)**

(ii) Credit risk (continued)

**Expected credit loss assessment for corporate customers (continued)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2022.

| | **WEIGHTED AVERAGE LOSS RATE** | **GROSS CARRYING AMOUNT** | LOSS ALLOWANCE | CREDIT IMPAIRED |
|---|---|---|---|---|
| 1–30 days past due | **0.57%** | **48,602,186** | 207,533 | Yes |
| 31–60 days past due | **2.30%** | **9,022,581** | 188,328 | Yes |
| 61–90 days past due | **--** | **--** | -- | No |
| More than 90 days past due | **15.47% & 100% (above 361 days)** | **1,090,756** | 382,136 | Yes |
| | | **58,715,523** | 777,997 | |

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 31 December 2021.

| | WEIGHTED AVERAGE LOSS RATE | GROSS CARRYING AMOUNT | LOSS ALLOWANCE | CREDIT IMPAIRED |
|---|---|---|---|---|
| 1–30 days past due | 95% | 17,870,719 | 112,034 | No |
| 31–60 days past due | 0% | 31,885 | 1,594 | No |
| 61–90 days past due | 0% | -- | -- | No |
| More than 90 days past due | 5% | 819,659 | 166,389 | Yes |
| | 100% | 18,722,263 | 280,017 | |

Movements in the allowance for impairment in respect of trade receivables (including the specific provision against accrued income) during the year was as follows:

| | **2022** | 2021 |
|---|---|---|
| Balance at the 1 January | **2,001,222** | 2,001,222 |
| Charge for the year | **441,400** | -- |
| Balance at the 31 December | **2,442,622** | 2,001,222 |

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. As at the balance sheet date, the Group's maximum exposure to credit risk is represented by the respective carrying values of cash and cash equivalents and accounts and other receivables. Cash at banks are placed with reputable banks having sound credit rating while accounts and other receivables pertain to credit worthy counter parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

The Group uses activity-based costing to cost its services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group maintains no credit lines, since the Group earns major revenue in advance and has sufficient liquidity in day to day operations.

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

**Financial risk management (continued)**

(iii) Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Contractual cash flows

| 31 DECEMBER 2022 | CARRYING AMOUNT | LESS THAN 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 YEAR TO 3 YEARS | 3 YEARS TO 5 YEARS | MORE THAN 5 YEARS | TOTAL |
|---|---|---|---|---|---|---|---|
| *Non derivative financial liabilities* | | | | | | | |
| Trade and other payables | **2,361,540** | -- | **2,361,540** | -- | -- | -- | **2,361,540** |
| Lease liabilities | **8,840,498** | -- | **3,106,578** | **5,733,920** | -- | -- | **8,840,498** |
| Accrued expenses | **12,665,961** | -- | **10,199,312** | **2,466,649** | -- | -- | **12,665,961** |
| | **23,867,999** | -- | **15,667,430** | **8,200,569** | -- | -- | **23,867,999** |

Contractual cash flows

| 31 DECEMBER 2021 | CARRYING AMOUNT | LESS THAN 6 MONTHS | 6 MONTHS TO 1 YEAR | 1 YEAR TO 3 YEARS | 3 YEARS TO 5 YEARS | MORE THAN 5 YEARS | TOTAL |
|---|---|---|---|---|---|---|---|
| *Non derivative financial liabilities* | | | | | | | |
| Trade and other payables | 19,378 | -- | 19,378 | -- | -- | -- | 19,378 |
| Lease liabilities | 2,648,147 | -- | 909,376 | 1,738,771 | -- | -- | 2,648,147 |
| Accrued expenses | 16,727,308 | -- | 11,060,853 | 5,666,455 | -- | -- | 16,727,308 |
| | 19,394,833 | -- | 11,989,607 | 7,405,226 | -- | -- | 19,394,833 |

(iv) Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk comprises of currency risk, interest rate risk and other price risk.

**Currency risk**

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the Saudi riyal, Pound sterling, United Arab Emirates Dirhams and Singapore Dollar. The currencies in which these transactions are primarily denominated are euro and US dollars. The Group seeks to manage its currency risk by means of appropriate financial instruments including the use of derivatives if required.

Following is the significant gross financial position exposure classified into separate foreign currencies:

| | DECEMBER 2022 ,31 | | | | |
|---|---|---|---|---|---|
| | **US DOLLARS** | **UNITED ARAB EMIRATES DIRHAMS** | **POUND STERLING** | **EURO** | **SINGAPORE DOLLAR** |
| Property and equipment | -- | **39,049** | **63,450** | -- | **293,804** |
| Intangible assets | -- | -- | **4,691** | -- | -- |
| Investments | **81,477,805** | -- | **13,274,951** | -- | -- |
| Right of use of asset | -- | **1,700,786** | **1,178,824** | -- | **954,594** |
| Trade and other receivables | **382,885** | | **1,270,648** | **241,626** | -- |
| Prepayments | | **475,429** | **128,741** | | **72,489** |
| Cash and cash equivalents | **41,223,750** | **1,737,886** | **1,503,437** | **1,135,050** | **3,696,519** |
| | **123,084,440** | **3,953,150** | **17,424,742** | **1,376,676** | **5,017,406** |
| Trade and other payables | -- | -- | -- | -- | -- |
| Accrued expenses | -- | **1,265,629** | **731,014** | -- | **273,396** |
| Lease liability | -- | **1,700,786** | **1,241,431** | -- | **886,293** |
| | -- | **2,966,415** | **1,972,445** | -- | **1,159,689** |
| **Net exposure** | **123,084,440** | **986,735** | **15,452,297** | **1,376,676** | **3,857,717** |

## 25- FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

**Financial risk management (continued)**

(iv) Market risk (continued)

**Currency risk (continued)**

| | DECEMBER 2022 ,31 | | | | |
|---|---|---|---|---|---|
| | US DOLLARS | UNITED ARAB EMIRATES DIRHAMS | POUND STERLING | EURO | SINGAPORE DOLLAR |
| Property and equipment | -- | -- | 115,097 | - | - |
| Intangible assets | -- | -- | 10,527 | - | - |
| Investments | 72,942,310 | -- | 14,981,809 | 288,018 | - |
| Right of use of asset | 658,669 | -- | 86,612 | - | - |
| Trade and other receivables | 7,626,030 | -- | 10,773,620 | 256,532 | - |
| Prepayments | 96,371 | -- | 185,645 | - | 5,979 |
| Cash and cash equivalents | 62,233,370 | 501,730 | 2,878,823 | 189,193 | 748,126 |
| | 143,556,750 | 501,730 | 29,032,133 | 733,743 | 754,105 |
| Trade and other payables | 16,976 | - | 969,411 | - | 159,132 |
| Accrued expenses | 1,854,476 | - | 914,493 | - | 8,012 |
| Lease liability | 205,991 | - | 91,172 | - | - |
| | 2,077,443 | - | 1,975,076 | - | 167,144 |
| Net exposure | 141,479,307 | 501,730 | 27,057,057 | 733,743 | 586,961 |

The following significant exchange rates have been applied.

| | WEIGHTED AVERAGE RATES | | YEAR END SPOT RATES | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| USD | **3.75** | 3.75 | **3.75** | 3.75 |
| AED | **1.02** | 1.02 | **1.02** | 1.02 |
| GBP | **4.78605** | 5.0687 | **4.5109** | 5.0612 |
| Euro | **4.12565** | 4.4090 | **4.0022** | 4.2491 |
| SGD | **2.7846** | 2.8057 | **2.7960** | 2.7732 |

Every 5% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 1,153,178 (2021: SR 286,516 ).

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis. As at the reporting date, the Group is not exposed to any significant interest rate risk.

This is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

**Other price risk**

The primary goal of the Group's investment in private equity securities is to hold the investments for the long term for strategic purposes. Management is assisted by external advisers in this regard.
Certain investments are designated as at FVTPL because their performance is actively monitored
and they are managed on a fair value basis.

## 26- PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

- Following are the new standards and amendments to standards are effective for annual periods beginning on or after January 1, 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

| EFFECTIVE DATE | NEW STANDARDS OR AMENDMENTS |
|---|---|
| April 1, 2021 | Covid-19 related rent concessions beyond 30 June 2021 – amendment to IFRS 16 |
| January 1, 2022 | Onerous contracts - cost fulfilling a contract (Amendments to IAS 37)<br>Annual improvements to IFRS standards 2018-2020<br>Property, plant and equipment: proceeds before intended use – amendments to IAS 16<br>Reference to the Conceptual Framework (Amendments to IFRS 3) |

The management believes that the above pronouncement has no material impact on the consolidated financial statements.

- The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022:

| EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER | STANDARD, AMENDMENT OR INTERPRETATION | SUMMARY OF REQUIREMENTS |
|---|---|---|
| 1 January 2023. | Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current" | In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:<br><br>• What is meant by a right to defer settlement<br>• That a right to defer must exist at the end of the reporting period<br>• That classification is unaffected by the likelihood that an entity will exercise its deferral right<br>• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification the amendment is not expected to have an impact on the financial statements of the Company. |
| Annual periods beginning on or after 1 January 2023. | Disclosure of accounting policies – amendments to IAS 1, Practice Statement 2. | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies |
| Annual periods beginning on or after 1 January 2023. | Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction | These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. |
| 1 January 2023. | Definition of accounting estimates - Amendments to IAS 8 | The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies |
| 1 January 2023. | IFRS 17, 'Insurance contracts', as amended in December 2021 | This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. |

The management believes that the above pronouncement has no material impact on the consolidated financial statements.

## 27- CAPITAL MANAGEMENT

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

During the year ended 31 December 2013, new Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorized person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. The Capital Management of the Group is as follows:

| DESCRIPTION | 2022<br>SR 000 | 2021<br>SR 000 |
|---|---|---|
| Capital Base: | | |
| Tier I capital | **188,636** | 180,411 |
| Total | **188,636** | 180,411 |
| | | |
| Minimum capital requirement: | | |
| Credit Risks | **85,207** | 77,005 |
| Market Risks | **6,096** | 7,632 |
| Operational risks | **16,698** | 11,315 |
| Total | **108,001** | 95,952 |
| | | |
| Total Capital Ratio | **1.75** | 1.88 |
| Surplus in Capital | **80,635** | 84,459 |

## 28- SUBSEQENT EVENT

During the subsequent period, the new Companies Law issued through Royal Decree M/132 on 30 June 2022 (corresponding to 1 Dhul Hijjah 1443H) (hereinafter referred as "the Law") came into force on 19 January 2023 (corresponding to 26 Jummada Al Thani 1444H). For certain provisions of the Law, full compliance is expected not later than two years from 19 January 2023 (corresponding to 26 Jummada Al Thani 1444H). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Annual General Assembly meeting for their ratification.

## 29.- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Group's Board of Directors on 21 March 2023, corresponding to 29 Shaban 1444H.

سدرة المالية
Sidra Capital

## JEDDAH

Level 3, Al Murjanah Tower
Prince Sultan Street
PO Box 118528
Jeddah 21312
Kingdom of Saudi Arabia

**T: +966 12 602 9988**

## RIYADH

Office 11, First Floor, Building (B)
Al Nemer Al Nakheel Center
5262 Al Imam Saud Ibn
Abdul Aziz Road
Riyadh 12381
Kingdom of Saudi Arabia

**T: +966 11 455 5711**

## LONDON

48 Charles Street
Mayfair
London W1J 5EN
United Kingdom

**T: +44 203 026 2842**

## DUBAI

Unit 107 Level 1
Currency House - Tower 2,
Alfattan
P O Box 482086
Dubai
United Arab Emirates

**T: +97 1438 62899**

## SINGAPORE

3 Fraser Street #05-24
Duo Tower
Singapore 189352

**T: +65 9425 2667**

www.sidracapital.com   info@sidracap.com   SidraCapital   sidra-capital