

**FAB CAPITAL FINANCIAL
COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2023
AND INDEPENDENT AUDITOR'S REPORT**

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

Index	Page
Independent auditor's report	1-3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 26



Independent auditor's report to the shareholder of FAB Capital Financial Company (A Saudi Closed Joint Stock Company)

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the board of directors report for the year ended December 31, 2023 but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the board of directors report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent auditor's report to the shareholder of FAB Capital Financial Company (A Saudi Closed Joint Stock Company)

Responsibilities of the board of directors and those charged with governance for the financial statements

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

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

Those charged with governance, i.e., the board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditor's report to the shareholder of FAB Capital Financial Company (A Saudi Closed Joint Stock Company)

Auditor's responsibilities for the audit of the financial statements

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

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

PricewaterhouseCoopers

Waleed A. Alhidiri
License Number 559

March 28, 2024



FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Cash and cash equivalents	3	195,430,788	156,635,164
Accounts receivable	4	3,565,643	1,670,179
Prepayments, deposits and other receivables	5	2,750,075	4,018,935
Right-of-use asset	6	697,770	1,077,899
Deferred tax assets	14	80,680	50,661
Property and equipment, net	7	244,116	261,859
Total assets		<u>202,769,072</u>	<u>163,714,697</u>
LIABILITIES AND EQUITY			
Liabilities			
Due to related parties	8	40,700,866	33,464,484
Accrued expenses and other liabilities	9	3,658,322	3,022,601
Lease liability	10	400,910	791,688
Provision for zakat and income tax	16	4,630,062	3,972,928
Provision for employees' end of service benefits	17	461,317	256,625
Total liabilities		<u>49,851,477</u>	<u>41,508,326</u>
Shareholder's equity			
Share capital	11	52,500,000	52,500,000
Share premium		15,000,000	15,000,000
Statutory reserve	2.12	8,263,977	5,188,515
Other reserves	2.13	(62,633)	(19,233)
Retained earnings		77,216,251	49,537,089
Total equity		<u>152,917,595</u>	<u>122,206,371</u>
Total liabilities and equity		<u>202,769,072</u>	<u>163,714,697</u>

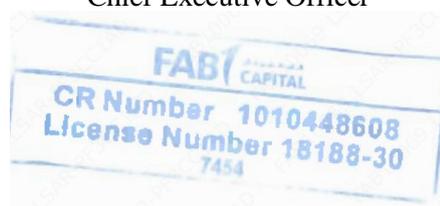
The accompanying notes 1 to 22 form an integral part of these financial statements.



Rayed Al Khulitet
Head of Finance



Rainer Kasch
MD, Head of KSA SS & Acting
Chief Executive Officer



FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Revenue			
Income from arranging services	12	21,967,078	35,091,667
Income from security services	13	20,844,055	5,279,921
Income from underwriting services		-	2,145,011
Special commission income	14	7,116,279	2,048,584
Other income		-	187,914
Total operating income		<u>49,927,412</u>	<u>44,753,097</u>
Operating expenses			
Salaries and employee related expenses		(10,349,359)	(6,293,424)
Depreciation	6,7	(449,811)	(443,131)
Finance cost on lease liability	10	(18,823)	(28,725)
Other general and administrative expenses	15	(3,765,324)	(3,696,504)
Reversal / (allowance) for expected credit losses on financial assets		39,177	(48,480)
Total operating expenses		<u>(14,544,140)</u>	<u>(10,510,264)</u>
Net income before zakat and income tax		35,383,272	34,242,833
Zakat and income tax	16	(4,628,648)	(3,925,779)
Net income for the year		<u>30,754,624</u>	<u>30,317,054</u>
Remeasurement (loss) / gain for provision for end of service benefits	17	(43,400)	37,367
Total comprehensive income for the year		<u>30,711,224</u>	<u>30,354,421</u>

The accompanying notes 1 to 22 form an integral part of these financial statements.



Rayed Al Khulitet
Head of Finance



Rainer Kasch
MD, Head of KSA SS & Acting
Chief Executive Officer



FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2023	52,500,000	15,000,000	5,188,515	(19,233)	49,537,089	122,206,371
Net income for the year	-	-	-	-	30,754,624	30,754,624
Re-measurement loss on employees' end of service benefits	-	-	-	(43,400)	-	(43,400)
Total comprehensive (loss) / income for the year	-	-	-	(43,400)	30,754,624	30,711,224
Transfer to statutory reserve	-	-	3,075,462	-	(3,075,462)	-
Balance at 31 December 2023	<u>52,500,000</u>	<u>15,000,000</u>	<u>8,263,977</u>	<u>(62,633)</u>	<u>77,216,251</u>	<u>152,917,595</u>

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2022	52,500,000	15,000,000	2,156,810	(56,600)	22,251,740	91,851,950
Net income for the year	-	-	-	-	30,317,054	30,317,054
Re-measurement gain on employees' end of service benefits	-	-	-	37,367	-	37,367
Total comprehensive income for the year	-	-	-	37,367	30,317,054	30,354,421
Transfer to statutory reserve	-	-	3,031,705	-	(3,031,705)	-
Balance at 31 December 2022	<u>52,500,000</u>	<u>15,000,000</u>	<u>5,188,515</u>	<u>(19,233)</u>	<u>49,537,089</u>	<u>122,206,371</u>

The accompanying notes 1 to 22 form an integral part of these financial statements.



Rayed Al Khulitet
Head of Finance



Rainer Kasch
MD, Head of KSA SS & Acting
Chief Executive Officer



FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Net income before zakat and income tax		35,383,272	34,242,833
Adjustments for non-cash items			
Charge for employees' end of service benefits	17	161,292	94,488
Depreciation charge for the year	6,7	449,811	443,131
Finance cost on lease liability		18,823	28,725
(Reversal) / allowance for expected credit losses on financial assets		(39,177)	48,480
		35,974,021	34,857,657
Changes in operating assets and liabilities:			
Accounts receivable		(1,895,464)	(1,570,013)
Prepayments, deposits and other receivables		1,268,860	(3,583,642)
Due to related parties		7,236,382	10,888,331
Accrued expenses and other liabilities		635,721	905,243
		43,219,520	41,497,576
Zakat and income tax paid	16	(4,001,533)	(2,491,007)
End of service benefits paid	17	-	(46,500)
Net cash generated from operating activities		39,217,987	38,960,069
Cash flow from financing activity			
Payment of lease liability		(409,601)	(409,601)
Net cash used in financing activity		(409,601)	(409,601)
Cash flow from investing activity			
Additions to property and equipment	7	(51,939)	(60,451)
Net cash used in investing activity		(51,939)	(60,451)
Net increase in cash and cash equivalents during the year		38,756,447	38,490,017
Cash and cash equivalents at the beginning of the year		156,736,391	118,246,374
Cash and cash equivalents at the end of the year	4	195,492,838	156,736,391
Supplemental non-cash information			
Re-measurement of employee benefits obligations		(43,400)	37,367

The accompanying notes 1 to 22 form an integral part of these financial statements.



Rayed Al Khulitet
Head of Finance



Rainer Kasch
MD, Head of KSA SS & Acting
Chief Executive Officer



FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

1. GENERAL INFORMATION

FAB Capital Financial Company (the “Company”) is a Closed Joint Stock Company incorporated in Saudi Arabia under commercial registration No. 1010448608 dated 20 Shaban 1439 (corresponding to 6 May 2018). The Company operates under Saudi Arabia General Investment Authority License No. 10211390781969 dated 5 Rajab 1439 (corresponding to 22 March 2018) and Capital Market Authority (“CMA”) License No. 18188-30 dated 19 Jumada al-Ula 1439 (corresponding to 5 February 2018).

The registered address of the Company, which is also its principal place of business, is at 3rd Floor, Cayan Tower, AlMalqa – King Fahad Road, P.O. Box 272, Riyadh 11411, Kingdom of Saudi Arabia.

The principal activities of the Company are dealing as underwriter, advisory & arranging securities and custody services. During the year the Company has applied for a license to practice managing and fund operation services, CMA has granted conditional approval to this license in February 2023.

2. MATERIAL ACCOUNTING POLICIES

a) Statement of compliance

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

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for employee benefit obligation. Furthermore, the employee benefit obligation which is measured at present value of defined benefit obligation and have been calculated using the projected unit credit method and actuarial assumptions. The financial statements are prepared on a going concern basis, as the management is satisfied that the Company has the resources to continue business for the foreseeable future. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Company.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) *Critical accounting judgments and estimates*

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The management reviews the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use, and these are revised if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in the factors mentioned. A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation expense and decrease non-current assets.

Defined benefit plans

The Company operates a defined benefit plan under the applicable Saudi Arabian Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method as per IAS 19 Employee Benefits based on actuarial assumptions which are reviewed annually (refer to note 2.8 and note 15).

Measurement of the Expected Credit Loss

The measurement of the Expected Credit Loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in Note 2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- (i) *Determining criteria for significant increase in credit risk;*
- (ii) *Choosing appropriate models and assumptions for the measurement of ECL;*
- (iii) *Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and*
- (iv) *Establishing groups of similar financial assets for the purposes of measuring ECL.*

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) New IFRS Standards, interpretations and amendments adopted by the Company

The following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2023. The management has assessed that the below amendments have no significant impact on the financial statements.

The Company has adopted the following amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from January 1, 2023:

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	01 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and 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.	01 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	01 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	01 January 2023

The adoption of the above amendments to standards and interpretations did not have any significant impact on these financial statements.

Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is yet to assess the impact of these standards, amendments and interpretations on the financial statements. The Company intends to adopt these standards, amendments and interpretations when they become effective.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) New IFRS Standards, interpretations and amendments adopted by the Company (continued)

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21 – Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Other standards IFRS S1 & IFRS S2, ‘General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.	1 January 2024 subject to endorsement from SOCPA

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have consistently applied to all periods presented unless otherwise stated.

2.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.2 Financial Instruments

Classification and measurement of financial assets

On initial recognition, the Company classifies its financial assets in the following measurement categories:

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

Financial asset at amortized cost

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

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

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets (continued)

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

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

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

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

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

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

Reclassifications

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

Impairment of financial assets

The financial assets of the Company that are subjected to expected credit losses ("ECL") review include cash at bank and accounts receivable.

A significant exposure of the Company is held as deposits with First Abu Dhabi Bank – Saudi Arabia Branch, which is a Branch of Parent (First Abu Dhabi Bank PJSC). The Bank has a sound credit rating as at the reporting date and therefore the Company considers that it has low credit risk. No decline is seen in the credit rating until the reporting date. The loss given default "LGD" is low and impact on expected loss is not considered significant to the financial statements.

The Company considers that the remaining financial assets are immaterial and therefore have mostly low credit risk and the impact of expected credit loss is not considered significant.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVTPL where transaction costs, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statement of income.

Subsequently, all special commission bearing financial liabilities other than those held at FVTPL are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

De-recognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3 Revenue from contracts with customers

The Company recognizes revenue in accordance with the principles as set out in IFRS 15. The Company applies the five steps mode stipulated in IFRS 15 for recognizing revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied. The Company recognize revenue when it transfers control over a product or service to a customer.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue from contracts with customers (Continued)

The Company has the following streams of revenue:

Revenue from arranging services

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

Revenue from underwriting services

Underwriting service fees are recognized based on the applicable service contract, usually when the performance obligation has been satisfied.

Income from securities services

Fees charged for providing securities services, which include custodial services, are recognised as revenue over the period when the service is being provided.

2.4 Property and equipment and leases

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>No of years</u>
Leasehold improvements and fittings	10
Computer equipment	3-5

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Normal repair and maintenance are charged to the statement of profit or loss as and when incurred.

Right-of-use assets / lease liability

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

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Property and equipment and leases (continued)

Right of use assets

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

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

Lease liability

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

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

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGUs) fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

2.6 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.7 Taxation

Current Tax

Zakat and income tax is provided in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia and charged to the statement of profit and loss and other comprehensive income.

Adjustments arising from the final zakat and income tax assessments are recorded in the period in which such assessments are made.

Deferred Tax

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of the assets and liabilities and their tax bases. Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the balance sheet date.

2.8 Employees’ end of service benefits

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the statement of profit or loss, while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

2.9 Expenses

All expenses are recognized in statement of profit or loss as the related services are received.

2.10 Foreign currencies

Transactions in foreign currencies are translated into the functional currency of the Company at exchange rates on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the statement of profit or loss.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in Saudi Arabian Riyals)

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

2.12 Statutory reserve

In accordance with the Company's Bylaws, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. As at 31 December 2023, the Company has set aside SAR 8.26 million as statutory reserve (31 December 2022: SAR 5.19 million).

2.13 Other reserve

The balance of re-measurement gain or loss on employees' end of service benefits are recorded as other reserve.

3. CASH AND CASH EQUIVALENTS

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Current accounts		27,992,838	56,736,391
Deposits maturing within 3 months	3.1	167,500,000	<u>100,000,000</u>
		195,492,838	156,736,391
Provision for expected credit losses		(62,050)	(101,227)
		195,430,788	<u>156,635,164</u>

3.1 Fixed deposits amounting to SAR 167.5 million with a maturity of three months is considered as cash and cash equivalents (31 December 2022: SAR 100 million).

3.2 As at December 31, 2023, the Company is holding clients' money accounts, with the bank, amounting to Saudi Riyals 146.8 million (2022: Saudi Riyals 1.8 million), to be used for investments upon client discretion. Consistent with the Company's policy, such balances are not included in the Company's financial statements.

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Accounts receivable – fees	3,565,643	<u>1,670,179</u>

This represented portion of the revenue from securities services from First Abu Dhabi Bank PSJC ("the Parent") amounting to SAR 2,794,321 (31 December 2022: SAR 1,571,857). The remaining balance is receivable from a local client State Street Saudi Arabia.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

5. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Receivable from the Parent	8	83,960	2,053,365
Interest receivable		1,301,149	832,481
Advance salaries		167,583	463,333
Prepaid recruitment allowance		-	42,500
Prepaid project cost - office renovation		643,694	-
VAT receivable		553,689	293,069
Others		-	334,187
Total		<u>2,750,075</u>	<u>4,018,935</u>

6. RIGHT-OF-USE ASSET

	<u>2023</u>	<u>2022</u>
Cost:		
Balance at the beginning of the year	<u>2,599,454</u>	2,599,454
Accumulated depreciation:		
Balance at the beginning of the year	(1,521,555)	(1,141,427)
Charge for the year	<u>(380,129)</u>	(380,128)
Balance at the end of the year	<u>(1,901,684)</u>	<u>(1,521,555)</u>
Net book value as at the end of the year	<u>697,770</u>	<u>1,077,899</u>

7. PROPERTY AND EQUIPMENT, NET

	<u>Note</u>	<u>Leasehold improvements and computer equipment</u>	<u>Total</u>
Cost:			
Balance at 1 January 2023		463,995	463,995
Additions during the year		<u>51,939</u>	<u>51,939</u>
Balance at 31 December 2023		<u>515,934</u>	<u>515,934</u>
Accumulated depreciation:			
Balance at 1 January 2023		(202,136)	(202,136)
Charge for the year		<u>(69,682)</u>	<u>(69,682)</u>
Balance at 31 December 2023		<u>(271,818)</u>	<u>(271,818)</u>
Net book value as at 31 December 2023	7.1	<u>244,116</u>	<u>244,116</u>
		<u>Leasehold improvements and computer equipment</u>	<u>Total</u>
Cost:			
Balance at 1 January 2022		403,544	403,544
Additions during the year		<u>60,451</u>	<u>60,451</u>
Balance at 31 December 2022		<u>463,995</u>	<u>463,995</u>
Accumulated depreciation:			
Balance at 1 January 2022		(139,133)	(139,133)
Charge for the year		<u>(63,003)</u>	<u>(63,003)</u>
Balance at 31 December 2022		<u>(202,136)</u>	<u>(202,136)</u>
Net book value as at 31 December 2022		<u>261,859</u>	<u>261,859</u>

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

7. PROPERTY AND EQUIPMENT, NET (CONTINUED)

- 7.1** These include leasehold improvements with a net book value of SAR 171,751 (2022: SAR 200,308) and computer equipment with a net book value of SAR 72,365 (2022: SAR 61,551).

8. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company include the Parent Company and its affiliated entities and certain key management personnel. In the ordinary course of activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel include the Chief Executive Officer, Acting Chief Executive Officer, Head of Compliance, Head of Security Services, Head of Loan Structuring, Head of Debt Capital Markets, Head of Operations and Head of Finance.

The significant related party transactions entered into by the Company during the year are as follows:

<u>Related party</u>	<u>Nature of transaction</u>	2023	2022
First Abu Dhabi Bank P.J.S.C.	Payments made on behalf of the entity for Company's expenditure	1,293,934	1,080,740
First Abu Dhabi Branch KSA	Payments made on behalf of the entity for Company's expenditure	9,185,720	6,564,320
	Commissions paid on financial guarantees	128,125	31,944
Key management personnel			
	Basic salary	3,024,772	2,501,115
	Allowances	2,027,089	1,731,814
	GOSI – employer's contribution	254,808	242,679
	Bonus	800,500	400,000
	Directors' fees	650,000	650,000
	Others	19,715	6,651

The balances as of 31 December 2023 resulting from transactions with related parties are as follows:

<u>Related party</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
First Abu Dhabi Bank P.J.S.C.			
Accounts receivable	4	2,794,321	1,571,857
Receivable from the Parent		83,960	2,387,552
		2,878,281	3,959,409
Due to related parties		3,780,021	5,729,359
First Abu Dhabi Bank - KSA Branch			
Due to related parties		36,920,845	27,735,125
Financial guarantee issued to facilitate custody license		=	50,000,000

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2023</u>	<u>2022</u>
Accrued professional fees	930,576	1,414,946
Accrued employee related benefits	1,728,900	940,914
Accrued directors' fees	162,500	162,500
Securities Depository Center (Edaa) charges	563,098	334,187
Others	273,248	170,054
	3,658,322	3,022,601

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

10. LEASE LIABILITY

The following table represents the movement of lease liability of the Company:

	<u>2023</u>	<u>2022</u>
Opening balance	791,688	1,172,564
Finance cost	18,823	28,725
Lease rental payment	<u>(409,601)</u>	<u>(409,601)</u>
Balance at end of year	<u><u>400,910</u></u>	<u><u>791,688</u></u>

11. SHARE CAPITAL

As of 31 December 2023, the share capital of the Company is SAR 52,500,000 (31 December 2022: SAR 52,500,000) divided into 5,250,000 fully paid shares of SAR 10 each and are 100% owned by First Abu Dhabi Bank P.J.S.C.

12. INCOME FROM ARRANGING SERVICES

	Note	<u>2023</u>	<u>2022</u>
Income from arranging services	12.1	<u>21,967,078</u>	35,091,667

12.1 The income is generated from arranging investments and loans for the clients.

13. INCOME FROM SECURITY SERVICES

Fee income from securities services is net of charges paid to Edaa as below:

	<u>2023</u>	<u>2022</u>
Security services commission, gross	28,004,331	6,467,313
Security services expense (Edaa charges)	<u>(7,160,276)</u>	<u>(1,187,392)</u>
Security services commission, net	<u><u>20,844,055</u></u>	<u><u>5,279,921</u></u>

14. SPECIAL COMMISSION INCOME

	Note	<u>2023</u>	<u>2022</u>
Special commission income	14.1	<u>7,116,279</u>	2,048,584

14.1 The special commission income is generated from fixed deposit placement with a bank.

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	<u>2023</u>	<u>2022</u>
Professional fees	15.1 & 15.2	79,418	1,211,273
Head office allocated costs including utilities		1,356,298	1,112,441
Directors' fees		650,000	650,000
License fees		534,887	265,062
Guarantee commission		128,125	31,944
Contract service fees		524,010	202,510
Travelling cost		252,881	31,779
Others		<u>239,705</u>	<u>191,495</u>
		<u><u>3,765,324</u></u>	<u><u>3,696,504</u></u>

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

15.1 Auditor's remuneration for statutory audit of the Company's financial statements for the year ended 31 December 2023 amounts to SAR 168,213 (2022: SAR 110,000). Fee for other statutory and related services provided by the auditor to the Company amounts to SAR 32,000 (2022: SAR 32,000).

15.2 The Company has reassessed the provision maintained for professional services as at 31 December 2023 which resulted in an excess of provision amounting to SAR 878,871. Therefore, this amount has been reversed in the same category which resulted in a net professional services for the year ended 31 December 2023 of SAR 79,418.

16. ZAKAT AND INCOME TAX

The Company is subject to zakat and income tax in accordance with the Regulations of ZATCA.

The amounts of zakat and income tax charges are as follows:

	<u>2023</u>	<u>2022</u>
Zakat expense for the year	3,376,651	2,693,986
Income tax expense for the year	1,283,430	1,278,941
Over provision of tax and zakat expense in prior year	(1,414)	(9,251)
Charge for the year before deferred tax	4,658,667	3,963,676
Deferred tax income for the year	(30,019)	(37,897)
Total charge for the year	4,628,648	3,925,779

The below table represents the movement in provisions for zakat and income tax:

	<u>2023</u>	<u>2022</u>
Opening zakat and income tax liability	3,972,928	2,500,259
Charge for the year	4,658,667	3,963,676
Payments during the year	(4,001,533)	(2,491,007)
	4,630,062	3,972,928

The following table shows the movement in deferred tax:

	<u>2023</u>	<u>2022</u>
Opening deferred tax asset	50,661	12,764
Credit for the year	30,019	37,897
Closing deferred tax asset	80,680	50,661

The Company has filed its zakat and tax returns for the years up to 31 December 2022 which are yet to be assessed by the Zakat, Tax and Customs Authority ("ZATCA").

17. EMPLOYEES' END OF SERVICE BENEFITS

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

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

17. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

17.2 Movement in employees' end of service benefits

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	256,625	246,004
Current service cost and interest expense	161,292	94,488
Payments to employees	-	(46,500)
Remeasurement	43,400	(37,367)
Balance at the ending of the year	<u>461,317</u>	<u>256,625</u>

17.3 Principal actuarial assumptions

	<u>31 December</u> <u>2023</u>	31 December <u>2022</u>
Discount rate (%)	4.8%	5%
Future salary increases (%)	2%	2%

Discount rate

This rate was used to calculate the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount employee benefits is determined by reference to the market yields on high quality corporate bonds at the end of the reporting period. In case of the Company, the discount rate was derived with reference to US AA corporate bond yields with maturities consistent with the estimated term of the employee benefits.

Salary increases

The salary escalation of 2% (31 December 2022: 2%) has been assumed as the long-term salary escalation rate and is broadly consistent with the benchmark salary increment rate of the region.

Turnover

The turnover assumption has been based on the prior year assumptions for attrition rates, which was considered to be in-line with the actual attrition rates.

17.4 Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefits as follows:

	<u>31 December</u> <u>2023</u> SAR	31 December <u>2022</u> SAR
Discount rate		
0.5% increase	(1,384)	(6,600)
0.5% decrease	27,616	7,100
Future salary increases		
0.5% increase	1,684	7,200
0.5% decrease	28,116	(6,900)

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

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the period ended December 31, 2023, there were no transfers into or out of Level 3 fair value measurements.

The Company's financial assets and financial liabilities measured at amortised cost equals fair value due to short term in nature.

19. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities for the period ended December 31, 2023 are classified under amortised cost category.

	Measurement category	2023	2022
Financial assets			
Cash and cash equivalents	Amortised cost	195,430,788	156,635,164
Accounts receivable	Amortised cost	3,649,604	1,670,179
Deposits and other receivables	Amortised cost	1,301,149	832,481
Total financial assets		200,381,541	159,137,824
Financial liabilities			
Due to related parties	Amortised cost	40,700,866	33,464,484
Accrued and other liabilities	Amortised cost	3,658,322	3,022,601
Lease liability	Amortised cost	400,910	791,688
Total financial liabilities		44,760,098	37,278,773

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT

The Company maintains positions in financial instruments in accordance with its management strategy. The Company's financial position consists of current account balances, due to related parties, accrued and other liabilities.

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

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

Credit risk

a) Maximum exposure to credit risk at the reporting date:

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on the following:

	<u>2023</u>	<u>2022</u>
Cash at banks	195,430,788	156,635,164
Accounts receivable	3,565,643	1,670,179
Deposits and other receivables	<u>1,301,149</u>	<u>832,481</u>
	<u>200,297,580</u>	<u>159,137,824</u>

Cash at banks

The current accounts are held with Riyad Bank amounting to SAR 23.09 million and SAR 172.40 million in First Abu Dhabi Bank – Saudi Arabia Branch. The current accounts are held with banks having reputable standing and investment grade credit ratings within the Kingdom of Saudi Arabia.

Accounts receivable

The Company's accounts receivable are due from the Parent Company and a customer. The receivable as at 31 December 2023 is SAR 3,649,604 (31 December 2022: SAR 1,670,179).

Deposits and other receivables

The Company's interest receivable is SAR 1,301,149 (31 December 2022: SAR 832,481) and is due from First Abu Dhabi Bank Saudi Arabia Branch.

b) Analysis of financial assets and expected credit loss:

The financial assets listed above are neither past due nor impaired. Receivables which are from the Parent and the FAB KSA Branch have low credit risk. The ECL provision against the Cash and cash equivalents is as per IFRS 9 and considers the tenor of the deposits, the credit rating of the counterparties (being FAB KSA Branch (a related party) and a local bank, which have investment grade external credit ratings) and the current assessment of relevant and supportable macro-economic factors.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. As of 31 December 2023 and 31 December 2022, the financial assets of the Company comprised of cash at banks, accounts receivable and interest receivable from Parent Company, while the financial liabilities of the Company comprised of due to related parties, accrued and other liabilities and lease liability. All other financial liabilities on the Company's statement of financial position are contractually payable on a current basis. The Company manages its liquidity risk by maintaining adequate liquid assets.

FAB CAPITAL FINANCIAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyals)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

a. Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and United Arab Emirates Dirhams. Management monitors the exposures and fluctuations in foreign exchange rates and believes that the foreign exchange risk is not significant.

b. Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company on a regular basis monitors changes in the commission rates.

There are no exposures as at 31 December 2023 and 2022 to variable rate instruments. Hence, no exposure to commission rate risk.

c. Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as the Company does not hold any financial instruments that are traded in the market as at 31 December 2023 and 2022.

d. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Management maintains a strong governance and developed control framework to mitigate such risk.

During the fiscal year 2023, a fine was imposed on FAB Capital Financial Company in the amount of (10,000) ten thousand riyals, for violating Article 74 (Acknowledgement by the bank) of the Authorized Person Regulations.

Paragraphs (a) an authorized person must within 20 days of opening a client account obtain a written acknowledgement from the local bank with which a client account has been opened. and (b) If an authorized person does not receive the acknowledgement referred to in paragraph (a) of this Article within the 20 day period, it must withdraw all money in the account and pay it into another client account with another local bank.

21. SUBSEQUENT EVENTS

During March, 2024 the CMA has approved the commencement of businesses associated with managing and fund operation services license.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized by the Board of Directors on 18 Ramadan 1445H (corresponding to 28 March 2024).