

**INVESTCORP SAUDI ARABIA FINANCIAL  
INVESTMENTS COMPANY**  
**(A Closed Joint Stock Company Owned by One Person)**

**Financial Statements and Independent Auditor's Report**

**For the year ended 30 June 2023**

Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
30 June 2023

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)**

### **Opinion**

We have audited the financial statements of Investcorp Saudi Arabia Financial Investments Company (A Closed Joint Stock Company Owned by One Person) (the "Company"), which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year ended 30 June 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with the 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 are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountant and the provisions of Companies' Law and the Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person) (continued)**

### **Responsibilities of the Management and Those Charged with Governance for the Financial Statements (continued)**

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

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person) (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young Professional Services

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. (354)

Riyadh: 13 Rabi Al-Awwal 1445H  
(28 September 2023)



Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 SR	2022 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment		307,377	64,199
Right-of-use asset	4	2,740,980	702,294
Deferred tax asset	12	537,993	517,476
Net employees' defined benefit asset	10	125,483	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,711,833</b>	<b>1,283,969</b>
<b>CURRENT ASSETS</b>			
Amounts due from related parties	5	20,157,137	17,298,355
Prepayments and other receivables	6	1,963,159	855,473
Cash and cash equivalents	7	66,433,878	67,189,652
<b>TOTAL CURRENT ASSETS</b>		<b>88,554,174</b>	<b>85,343,480</b>
<b>TOTAL ASSETS</b>		<b>92,266,007</b>	<b>86,627,449</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	8	55,876,000	55,876,000
Statutory reserve	9	2,978,926	2,447,251
Actuarial gain on employees' defined benefit liabilities		1,159,347	870,388
Retained earnings		20,936,632	16,151,554
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>80,950,905</b>	<b>75,345,193</b>
<b>NON-CURRENT LIABILITIES</b>			
Net employees' defined benefit liabilities	10	-	253,588
Lease liabilities - non-current portion	4	1,785,573	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,785,573</b>	<b>253,588</b>
<b>CURRENT LIABILITIES</b>			
Accrued expenses and other payables	11	8,054,968	7,326,707
Zakat and income tax	12	196,162	3,701,961
Lease liabilities - current portion	4	1,278,399	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,529,529</b>	<b>11,028,668</b>
<b>TOTAL LIABILITIES</b>		<b>11,315,102</b>	<b>11,282,256</b>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>92,266,007</b>	<b>86,627,449</b>

Chairman of the Board

Chief Executive Officer

Finance Manager

The accompanying notes 1 to 21 form an integral part of these financial statements.

Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 SR	2022 SR
<b>REVENUE</b>			
Placement fees	5	12,728,472	22,777,557
Client relationship maintenance fees	5	16,356,535	12,459,468
Management fees	5	1,078,197	1,078,197
<b>TOTAL REVENUE</b>		<b>30,163,204</b>	<b>36,315,222</b>
<b>EXPENSES</b>			
Employees cost		(17,999,580)	(13,322,665)
Other operating expenses	13	(7,786,783)	(7,543,312)
<b>TOTAL EXPENSES</b>		<b>(25,786,363)</b>	<b>(20,865,977)</b>
<b>INCOME FROM MAIN OPERATIONS</b>		<b>4,376,841</b>	<b>15,449,245</b>
Finance income	7	2,542,224	537,252
Finance charges	4	(81,850)	-
Other (expenses) income, net		(23,617)	75,858
<b>INCOME BEFORE INCOME TAX</b>		<b>6,813,598</b>	<b>16,062,355</b>
Income tax	12.2	(1,496,845)	(2,790,754)
<b>NET INCOME FOR THE YEAR</b>		<b>5,316,753</b>	<b>13,271,601</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Re-measurement gain on employees' defined benefit liabilities	10	316,127	761,447
Related deferred tax charge on re-measurement gain on employees' defined benefit liabilities		(27,168)	(58,781)
<b>Total other comprehensive income</b>		<b>288,959</b>	<b>702,666</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,605,712</b>	<b>13,974,267</b>

The accompanying notes 1 to 21 form an integral part of these financial statements.

Investcorp Saudi Arabia Financial Investments Company  
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STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 30 June 2023

	Share capital SR	Statutory reserve SR	Retained earnings SR	Actuarial gain on employees' defined benefit liabilities SR	Total SR
Balance at 1 July 2021	55,876,000	1,120,091	4,207,113	167,722	61,370,926
Net income for the year	-	-	13,271,601	-	13,271,601
Other comprehensive income for the year	-	-	-	702,666	702,666
Total comprehensive income for the year	-	-	13,271,601	702,666	13,974,267
Transfer to statutory reserve	-	1,327,160	(1,327,160)	-	-
Balance at 30 June 2022	55,876,000	2,447,251	16,151,554	870,388	75,345,193
Net income for the year	-	-	5,316,753	-	5,316,753
Other comprehensive income for the year	-	-	-	288,959	288,959
Total comprehensive income for the year	-	-	5,316,753	288,959	5,605,712
Transfer to statutory reserve	-	531,675	(531,675)	-	-
<b>Balance at 30 June 2023</b>	<b>55,876,000</b>	<b>2,978,926</b>	<b>20,936,632</b>	<b>1,159,347</b>	<b>80,950,905</b>

The accompanying notes 1 to 21 form an integral part of these financial statements.



Investcorp Saudi Arabia Financial Investments Company  
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STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>			
Income before income tax		<b>6,813,598</b>	16,062,355
<i>Adjustments for:</i>			
Depreciation on property and equipment		<b>10,481</b>	10,481
Depreciation on right-of-use asset	4	<b>943,436</b>	1,053,441
Disposal of property and equipment		<b>21,916</b>	-
Provision for employees' defined benefit liabilities	10	<b>480,487</b>	378,732
Finance income		<b>(2,542,224)</b>	(537,252)
Finance charges	4	<b>81,850</b>	-
		<b>5,809,544</b>	16,967,757
<i>Changes in operating assets and liabilities:</i>			
Amounts due from related parties		<b>(3,978,015)</b>	(6,617,355)
Net movements in employees defined benefits plan assets		<b>649,760</b>	986,746
Prepayments and other receivables		<b>(647,860)</b>	37,895
Accrued expenses and other payables		<b>728,261</b>	(92,761)
Cash from operations		<b>2,561,690</b>	11,282,282
Employees' defined benefit liabilities paid	10	<b>(73,958)</b>	(1,365,478)
Finance income received		<b>2,082,398</b>	378,829
Zakat and income tax paid	12	<b>(5,050,329)</b>	(1,303,213)
<b>Net cash (used in) from operating activities</b>		<b>(480,199)</b>	8,992,420
<b>INVESTING ACTIVITY</b>			
Purchase of property and equipment		<b>(275,575)</b>	-
<b>Cash used in investing activity</b>		<b>(275,575)</b>	-
<b>FINANCING ACTIVITY</b>			
Payment of lease liability	4	-	(1,240,792)
<b>Cash used in financing activity</b>		-	(1,240,792)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(755,774)</b>	7,751,628
Cash and cash equivalents at the beginning of the year		<b>67,189,652</b>	59,438,024
<b>Cash and cash equivalents at the end of the year</b>		<b>66,433,878</b>	67,189,652

The accompanying notes 1 to 21 form an integral part of these financial statements.

# Investcorp Saudi Arabia Financial Investments Company (A Closed Joint Stock Company Owned by One Person)

## NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2023

### 1. GENERAL

Investcorp Saudi Arabia Financial Investments Company (the “Company”) is a Closed Joint Stock Company Owned by One Person registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010254275 dated 1 Sha’aban 1429H (corresponding to 3 August 2008) and licensed by the Capital Market Authority (“CMA”) under license number 07088-36 dated 4 Dhul-Qadah 1428H (corresponding to 9 November 2007). The Company was authorized to commence business via letter no 1227/6 dated 12 Rabi Awal 1430H (corresponding to 9 March 2009). The objectives of the Company are to engage in securities arrangements, securities advisory and securities custodial services.

The registered address of the Company is Al Faisaliah Tower, 29th floor, P.O. Box 61992, Riyadh 11575, Kingdom of Saudi Arabia.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis. The financial statements are presented in Saudi Riyals (“SR”), which is the Company’s functional currency.

#### 2.2 Summary of significant accounting policies

The significant accounting policies adopted by the Company in preparing the financial statements are applied consistently as follows:

##### *Current versus non-current classification*

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents 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.

A liability is classified as current when:

- It is expected to be settled in the 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.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

##### *Property and equipment*

Property and equipment are stated at cost less 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:

Office equipment	3 to 6 years
Office furniture and fixtures	5 to 6 years
Computer equipment	6 years
Leasehold improvements	6 years or the term of the lease, whichever the shorter

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Property and equipment (continued)***

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in profit or loss as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no future 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 carrying amount of the asset) is included in the profit or loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted prospectively if appropriate.

***Leases***

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Company as a lessee***

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

***i) Right-of-use assets***

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

***ii) Lease liabilities***

Lease liabilities include, if applicable, the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

The Company 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 a purchase option). Low-value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the statement of financial position of the Company as a whole. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash in hand, bank balances and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

***Impairment of non-financial assets***

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a CGU's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared for the Company's which is considered as CGU. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

***Financial instruments - initial recognition and subsequent measurement***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***i. Financial assets***

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs relating to financial assets classified at fair value through profit or loss is charged to profit or loss.

In order for a financial asset to be classified and subsequently measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Financial instruments - initial recognition and subsequent measurement (continued)***

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances (including term deposits), management fees receivable and due from related parties.

***Derecognition of financial assets***

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

***Impairment of financial assets***

The Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investcorp Saudi Arabia Financial Investments Company  
(A Closed Joint Stock Company Owned by One Person)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Financial instruments - initial recognition and subsequent measurement (continued)***

***ii Financial liabilities***

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accrued expenses and lease liabilities.

***Subsequent measurement***

The measurement of financial liabilities depends on their classification as described below:

***a) Financial liabilities at amortized cost***

This is the category most relevant to the Company. After initial recognition these are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

This category applies to trade and other payables.

***Derecognition of financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

***Offsetting of financial instruments***

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

***Fair value of financial instruments***

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Fair value of financial instruments (continued)***

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

***Provisions***

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

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

***Employees' benefits***

**Employees' defined benefit liabilities**

The Company operates a defined benefit plan, which requires the Company to make contributions to a separately administered fund by the third party. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Company recognizes related restructuring costs.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Employees' benefits (continued)***

***Employees' defined benefit liabilities (continued)***

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation in the statement of comprehensive income in the relevant line items:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

***Short-term employee benefits***

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and air tickets that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

***Statutory reserve***

In accordance with Saudi Arabian Regulations for Companies and the Company's By-Laws, the Company must set aside 10% of net income in each year until it has built up a reserve equal to 30% of the share capital. This reserve is not available for distribution.

***Income tax***

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Income tax is provided on an accrual basis and are charged to profit or loss. Income tax is computed on adjusted net income. Difference, if any, resulting from final assessment are adjusted in the year of their finalization.

***Deferred tax***

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and an associate when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Summary of significant accounting policies (continued)**

***Trade and other payables***

Accounts payable are recognized once the goods are received and services are rendered. These are recorded at fair value less trade discounts (if any) and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are carried at amortized cost.

***Foreign currencies***

Transactions in foreign currencies are initially recorded by the Company at the currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

***Revenue recognition***

The Company recognizes revenue from management fees, placement fees and client relationship maintenance fees. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of service to a customer.

Revenue from placement fees is recognized as a performance obligation satisfied at a point in time upon subscription of the investor to the investment. Revenue relating to client relationship maintenance fees and management fees are recognized as a performance satisfied over a period of time over the related service period.

The Company recognizes a receivable when the services have been performed as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent low levels of returns over previous years.

***Expenses***

Expenses are allocated on a consistent basis to operating expenses and general and administrative expenses as appropriate.

***Fiduciary assets***

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

***Value Added Tax (VAT)***

Revenue, expenses, and assets are recognized at amounts net of value added tax except:

- where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or part of the expense items, as applicable.
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

# Investcorp Saudi Arabia Financial Investments Company (A Closed Joint Stock Company Owned by One Person)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

### 3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### *Judgements*

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

#### *Determining the lease term of contracts with renewal and termination options – Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contract that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

#### *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### *Estimations and assumptions*

##### *Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### *Useful lives of property and equipment*

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

##### *End of service benefits*

The present value of Company's obligation under defined benefit plans is determined using actuarial valuation. This 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 employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**4. RIGHT-OF-USE ASSET AND LEASE LIABILITY**

Right-of-use asset consists of rented office premise. The movement during the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	702,294	1,755,735
Addition during the year	2,982,122	-
Depreciation charge for the year	(943,436)	(1,053,441)
At the end of the year	<u>2,740,980</u>	<u>702,294</u>

The carrying amount of the lease liability and the movements during the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	-	1,240,792
Addition during the year	2,982,122	-
Accretion of interest	81,850	-
Payments during the year	-	(1,240,792)
At the end of the year	<u>3,063,972</u>	<u>-</u>
Current portion of the lease liability	<u>1,278,399</u>	<u>-</u>
Non-current portion of the lease liability	<u>1,785,573</u>	<u>-</u>

**5. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent shareholder, directors and key management personnel of the Company, and entities controlled or significantly influences by such parties.

<i>Name of related parties</i>	<i>Country of incorporation</i>	<i>Nature of relationship</i>
Investcorp Holdings B.S.C. (c)	Bahrain	Owned by Ultimate Parent
Investcorp Corporate Services Limited (formerly known as Investcorp Management Services Limited)	Cayman Islands	Owned by Ultimate Parent
Investcorp Abu Dhabi Limited	United Arab Emirates	Owned by Ultimate Parent
Saudi Care Sector Fund	Kingdom of Saudi Arabia	Fund managed by the Company

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**5.1 The transactions with related parties are as follows:**

Related party	Nature of transaction	Amount of transaction	
		2023 SR	2022 SR
Investcorp Holdings B.S.C. (c)	Expenses paid on behalf of the Company (note 5a)	<b>150,000</b>	75,000
	Expense recharged (note 5b)	<b>2,061,394</b>	787,497
	Shared service recharged (note 5c)	<b>3,254,862</b>	3,922,990
Investcorp Corporate Services Limited (formerly known as Investcorp Management Services Limited)	Placement fee income (note 5d)	<b>9,544,656</b>	17,436,263
	Client relationship maintenance fee income (note 5d)	<b>16,356,535</b>	12,459,468
Investcorp Abu Dhabi Limited	Placement fee income (note 5d)	<b>3,183,816</b>	5,341,294
Saudi Care Sector Fund	Management fee income (note 5e)	<b>1,078,197</b>	1,078,197

- Expenses comprising salaries of seconded employees are incurred by Investcorp Holdings B.S.C. (c) and recharged to the Company.
- Investcorp Holdings B.S.C. (c) pays on behalf of the Company for employees bonuses and relationship managers' travel expenses.
- Investcorp Holdings B.S.C. (c) shall charge the Company for corporate governance, finance & accounting, office administrative services including HR support and IT support services.
- As per the agreement between the Company and Investcorp Management Services Limited ("IMSL") and Investcorp Abu Dhabi Limited, IMSL and Investcorp Abu Dhabi Limited will pay a fee for any investments in placement securities arranged and maintained by the Company. The Company has sourced investments in placement securities in Saudi Arabia with a total value of SR 1,424 million (2022: SR 2,639 million) with IMSL and Investcorp Abu Dhabi Limited during the year.
- The Company provides management services to Saudi Care Sector Fund. The Fund will pay the fund manager an annual management fee as follows:
  - During the Investment Period, at an annual rate of 2% calculated on the aggregate subscription amounts.
  - After the Investment Period, at an annual rate of 2% calculated based on carrying value of investments prior to commencement of the semi-annual period to which management fees relates.

As per the Fund's Terms of business the Fund manager is entitled for 2% of management fee; however, the Fund Manager has sole discretion to waive or reduce this management fees in part or in full. In prior years, the Fund manager had exercised this right to waive and decided to charge reduced fees and not 2% . Similarly, during the year, the management fees amounting to SR 1,078,197 (2022: SR 1,078,197) reflected in the statement of comprehensive income was charged by the Company.

The breakdown of amounts due from related parties are as follows:

	2023 SR	2022 SR
Investcorp Holdings B.S.C (c)	<b>13,794,890</b>	12,176,034
Saudi Care Sector Fund	<b>6,362,247</b>	5,122,321
	<b><u>20,157,137</u></b>	<b><u>17,298,355</u></b>

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**5. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The breakdown of amount due to a related party shown in accrued and other expenses is as follows:

	2023 SR	2022 SR
Investcorp Holdings B.S.C (c)	<u>16,286</u>	<u>549,755</u>

**5.2 The transactions with key management personnel as follows:**

	2023 SR	2022 SR
Short term benefits	6,267,964	5,030,834
Long term benefits	<u>230,484</u>	<u>153,681</u>
	<u>6,498,448</u>	<u>5,184,515</u>
Board of Directors remuneration	<u>112,508</u>	<u>150,010</u>

**6. PREPAYMENTS AND OTHER RECEIVABLES**

	2023 SR	2022 SR
Accrued commission income	677,944	218,118
Prepaid expenses	676,933	126,305
VAT receivable	509,461	412,230
Security deposit	<u>98,821</u>	<u>98,820</u>
	<u>1,963,159</u>	<u>855,473</u>

**7. CASH AND CASH EQUIVALENTS**

	2023 SR	2022 SR
Bank balances	4,429,651	8,987,309
Cash on hand	4,227	2,343
Short-term deposit*	<u>62,000,000</u>	<u>58,200,000</u>
	<u>66,433,878</u>	<u>67,189,652</u>

\*This represents deposit with local bank which had an original maturity of three months or less. The average interest rate on these time deposits for 30 June 2023 is 3.76% per annum (2022: 0.88%). Interest income on time deposits is recognised in statement of comprehensive income.

The management has conducted a review for allowance for expected credit losses as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**8. SHARE CAPITAL**

The authorized, issued and paid-up share capital of the Company amounts to SR 55,876,000 divided into 5,587,600 shares (2022: 5,587,600 shares) of SR 10 each. Share capital of the Company is distributed as follows:

	Ownership %		2023	2022
	2023	2022	SR	SR
Investcorp S.A. (Cayman Islands)	<b>100%</b>	100%	<b>55,876,000</b>	55,876,000
	<b>100%</b>	100%	<b>55,876,000</b>	55,876,000

**9. STATUTORY RESERVE**

As required by Saudi Arabian Companies' Law and the Company's By-Laws, the Company must set aside 10% of its income before zakat and income taxes after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the share capital. This reserve is not available for distribution.

**10. NET EMPLOYEES' DEFINED BENEFIT (ASSETS) LIABILITIES**

The Company has entered into an Employment Benefit Trust, Investment Management and Administration Service Agreement with Peget-Brown Trust Company Limited (A Cayman Island Trust Company) (the "Trustee") through its affiliates whereby, the Company will settle funds in a Trust on an ongoing basis in respect of its statutory and contractual obligations to make payments for its employees for their end of service benefits. These funds will be managed by the Trustee based on the terms agreed.

During the year, the Company has assessed employee end of service benefit liabilities and charged an amount of SR 480,487 (2022: SR 378,732) to the statement of income as service and interest cost.

As of 30 June 2023, balance in relation to employee defined benefit liabilities amounted SR 1,716,921 (30 June 2022: SR 1,446,232) and the plan assets include investment in money market deposits with a fair value of SR 1,842,404 (30 June 2022: 1,192,644). Accordingly, the net defined benefit (asset) liability was SR (125,483) as at 30 June 2023 (30 June 2022: SR 253,588).

	2023 SR	2022 SR
Employees' defined benefits liabilities	<b>1,716,921</b>	1,446,232
Fair value of plan assets	<b>(1,842,404)</b>	(1,192,644)
Net (asset) liability	<b>(125,483)</b>	253,588

Movement in employees' defined benefit liabilities during the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	<b>1,446,232</b>	2,726,885
Current service cost	<b>481,113</b>	355,613
Interest cost on defined benefit obligation	<b>50,897</b>	57,236
Interest income on plan assets	<b>(51,523)</b>	(34,117)
Payments during the year	<b>(73,958)</b>	(1,365,478)
Actuarial gain	<b>(135,840)</b>	(293,907)
At the end of the year	<b>1,716,921</b>	1,446,232

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**10. NET EMPLOYEES' DEFINED BENEFIT (ASSETS) LIABILITIES (continued)**

Movement in plan assets during the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	1,192,644	1,711,850
Contribution during the year	480,487	378,732
Payments during the year	(73,958)	(1,365,478)
Return on plan asset	243,231	467,540
At the end of the year	<u>1,842,404</u>	<u>1,192,644</u>

**Total Remeasurements chargeable in Other Comprehensive Income**

	2023 SR	2022 SR
Actuarial (gains)/losses from changes in financial assumptions	(110,045)	157,331
Experience adjustments	(25,795)	(451,238)
	<u>(135,840)</u>	<u>(293,907)</u>
Return on plan assets, excluding interest income	(180,287)	(467,540)
At the end of the year	<u>(316,127)</u>	<u>(761,447)</u>

**Significant actuarial assumptions**

The following were the principal actuarial assumptions at the reporting date:

	2023 SR	2022 SR
<i>Financial assumptions</i>		
Discount rate used	4.20%	3.46%
Future salary growth rate	3.00%	3.00%
<i>Demographic assumptions</i>		
Retirement age	60 years	60 years

**Sensitivity analysis**

The following is a sensitivity analysis for the discount rate assumptions that are performed at current valuation date:

	2023 SR	2022 SR
Discount rate:		
+1% increase	1,696,203	1,391,013
-1% decrease	1,981,345	1,640,709
Salary:		
+1% increase	1,981,653	1,639,975
-1% decrease	1,693,483	1,389,441
Withdrawal Rate:		
+10%	1,825,306	1,500,660
-10%	1,835,162	1,514,873

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**10. NET EMPLOYEES' DEFINED BENEFIT (ASSETS) LIABILITIES (continued)**

The following are the expected payments or contributions to the defined benefit plan in future years:

	2023 SR	2022 SR
Within the next 12 months (next annual reporting period)	133,335	105,163
Between 1 and 2 years	354,300	288,156
Between 3 and 5 years	417,691	379,971
Beyond 5 years	9,526,119	8,656,704
<b>Total expected payments</b>	<b>10,431,445</b>	<b>9,429,994</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 7.8 years (30 June 2022: 8.3 years).

**11. ACCRUED EXPENSES AND OTHER PAYABLES**

	2023 SR	2022 SR
Accrued employees' benefits	6,933,483	5,798,084
Accrued expenses	1,105,199	978,868
Amount due to a related party (note 5)	16,286	549,755
	<b>8,054,968</b>	<b>7,326,707</b>

**12. ZAKAT AND INCOME TAX**

		2023 SR	2022 SR
Provision for zakat	12.1	233,600	233,600
Provision for income tax	12.2	(37,438)	3,468,361
		<b>196,162</b>	<b>3,701,961</b>

**12.1 Zakat**

Movements in the zakat provision were as follows:

	2023 SR	2022 SR
At the beginning and end of the year	<b>233,600</b>	<b>233,600</b>

There is no zakat charge for the year ended 30 June 2023 and in prior year, since the Company is a wholly owned by a non-Saudi shareholder's, which is subject to income tax only. The zakat provision as at the reporting date is held on account of the assessments for prior years.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**12. ZAKAT AND INCOME TAX**

**12.2 Income tax**

The income tax charge for the year consists of the following:

	2023 SR	2022 SR
Provision for the year	1,544,530	3,334,969
Deferred tax adjustment (note 12.3)	(47,685)	(544,215)
	<u>1,496,845</u>	<u>2,790,754</u>

Movements in the income tax provision were as follows:

	2023 SR	2022 SR
At the beginning of the year	3,468,361	1,436,605
Charge for the year	1,544,530	3,334,969
Payments during the year related to year ended 30 June 2022	(3,389,798)	(1,303,213)
Advance tax paid for the year ended 30 June 2023	(1,660,531)	-
At the end of the year	<u>(37,438)</u>	<u>3,468,361</u>

**12.3 Deferred tax**

Movements in the deferred tax were as follows:

	2023 SR	2022 SR
At the beginning of the year	517,476	32,042
Change during the year recognized in profit or loss (note 12.2)	47,685	544,215
Change during the year recognized in other comprehensive income	(27,168)	(58,781)
At the end of the year	<u>537,993</u>	<u>517,476</u>

The components of deferred taxes are summarized as follows:

	2023 SR	2022 SR
Accelerated depreciation for accounting purposes	194,608	215,878
Employee's end of service benefits	343,385	301,598
	<u>537,993</u>	<u>517,476</u>

**12.4 Status of assessments**

The Company had settled the tax/zakat assessments for the years 2009 through 2014 with ZATCA. The Company had filed its zakat and income tax returns for the years ended 30 June 2015 through 2022, the assessments have not been raised by ZATCA yet.

Investcorp Saudi Arabia Financial Investments Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**13. OTHER OPERATING EXPENSES**

	2023 SR	2022 SR
Shared service cost (note 5)	3,254,862	3,922,990
Travel & business development	1,428,473	787,497
Depreciation of right-of-use asset (note 4)	943,436	1,053,441
Withholding tax	545,162	615,588
Professional fees	382,168	410,876
Maintenance and utilities expense	289,585	104,005
Communication expenses	215,705	174,906
Government fees	194,600	195,896
Directors' remuneration (note 5)	112,508	150,010
Others	420,284	128,103
	<b>7,786,783</b>	<b>7,543,312</b>

**14. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, management fees receivable and due from related parties. Financial liabilities consists of amount due to a related party. The fair values of the financial instruments of the Company as at the reporting date are not materially different from their carrying values. These financial assets and liabilities are measured at amortized cost.

**15. RISK MANAGEMENT**

The Company is exposed to the following risks. The Company's senior management oversees the management of these risks.

*Foreign exchange risk*

Foreign currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The functional and presentation currency of the Company is Saudi Riyals. The Company is not exposed to any significant currency risk as most of its transactions are denominated in either Saudi Riyals or US Dollars and both the currencies are currently on a fixed parity to each other.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**15. RISK MANAGEMENT (continued)**

*Credit risk*

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash equivalents and due from related parties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

With respect to credit risk arising from the financial assets of the Company, including bank balances, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2023 SR	2022 SR
Bank balances (note 7)	4,429,651	8,987,309
Short-term deposits (note 7)	62,000,000	58,200,000
Amounts due from related parties (note5)	20,157,137	17,298,355
	<b>86,586,788</b>	<b>84,485,664</b>

*Bank balances and short-term time deposits*

Credit risk from balances with banks is managed by the management in accordance with the Company's policy. Counterparty credit limits are reviewed and updated throughout the year.

*Amounts due from related parties*

These balances include receivables from related parties. Based on past experience of the Company, balances with related parties are being settled regularly and there is no history of significant write-off of receivables from related parties.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company is not exposed to significant liquidity risk. Deposits are generally placed for a period of one to three months to manage the Company's liquidity requirements. All liabilities on the Company's statement of financial position, other than employees' defined benefit liabilities and lease liability, are contractually payable on a current basis.

The Company's liquidity management process is monitored by the management, including:

- Day-to-day funding managed by the finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested;
- Monitoring the statement of financial position liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Liquidity management and asset and liability mismatching.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**15. RISK MANAGEMENT (continued)**

*Liquidity risk (continued)*

	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 - 5 years SR</i>	<i>Greater than 5 years SR</i>	<i>No fixed maturity SR</i>	<i>Total SR</i>
<b>30 June 2023</b>						
Accrued expenses and other payables	8,038,682	-	-	-	-	8,038,682
Amount due to a related party	-	-	-	-	16,286	16,286
Lease liability	-	1,278,399	1,785,573	-	-	3,063,972
	<u>8,038,682</u>	<u>1,278,399</u>	<u>1,785,573</u>	<u>-</u>	<u>16,286</u>	<u>11,118,940</u>
<b>30 June 2022</b>						
Accrued expenses and other payables	6,776,952	-	-	-	-	6,776,952
Amount due to a related party	-	-	-	-	549,755	549,755
	<u>6,776,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,755</u>	<u>7,326,707</u>

**Capital management**

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year. The capital structure of the Company consists of equity comprising share capital, statutory reserve, actuarial gain on employees' defined benefit liabilities and retained earnings.

**16. CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO**

The Capital Market Authority (CMA) has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I.

During the current year ended 30 June 2023, the CMA issued amendments to the Prudential Rules that came into effect on 1 April 2023 (corresponding to 10 Ramadhan 1444H). The requirements for Capital Adequacy as per the latest amendment differ from the prior requirements. Accordingly, the Company has calculated its minimum capital required and capital adequacy ratios for the year ended 2022 and the year ended 2023 separately as follows:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**16. CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO (continued)**

	2022 SR
<b>Capital base:</b>	
Tier 1 capital	74,827,717
Total capital base	74,827,717
<b>Minimum capital requirement:</b>	
Credit risk	8,123,135
Operational risk	5,216,494
Total minimum capital required	13,339,629
<b>Capital adequacy ratio:</b>	
Total capital ratio (times)	5.61
Tier 1 capital ratio (times)	5.61
Surplus in the capital	61,488,088

a) The capital base of the Company is comprised of:

Tier 1 - capital comprises paid up share capital, reserves and retained earnings less deferred tax assets.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules issued by the CMA.

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

As per the amended rules, the Company has calculated its minimum capital required and capital adequacy ratios for the current period as follows:

	2023 SR
<b>Capital base:</b>	
Tier 1 capital	80,287,429
Total capital base	80,287,429
<b>Minimum capital requirement:</b>	
Credit risk	41,819,465
Market risk	-
Operational risk	80,582,384
Concentration Risk	-
Total minimum capital required	122,401,849
<b>Capital adequacy ratio:</b>	
Tier 1 capital ratio (minimum 6%)	65.59%
Total capital ratio (minimum 8%)	65.59%
Surplus in the capital	70,495,281

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**16. CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO (continued)**

The capital base of the Company as per amended rules is comprised of:

- a) Tier 1 - capital comprises paid up share capital, reserves and retained earnings less deferred tax assets and defined benefit pension assets.
- b) The minimum capital requirements for market, credit, operational and concentration risk are calculated as per the requirements specified in prudential rules issued by the CMA.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

**17. COMMITMENTS AND CONTINGENCIES**

The Company, in the normal course of business, has not committed any guarantees during the period.

As at 30 June 2023, the Company does not have any capital commitments.

**18. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

***Standards issued but not yet effective***

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

***Amendments to IAS 1, Presentation of financial statements', on classification of liabilities***

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Note that the IASB has issued a new exposure draft proposing changes to this amendment.

The amendments effective date is Deferred until accounting periods starting not earlier than 1 January 2024.

***Amendments to IFRS 10 and IAS 28***

Sale or contribution of Assets between an Investor and its Associate or Joint Ventures.

The amendments is available for optional adoption/effective date deferred indefinitely.

***Amendment to IFRS 16, Lease Liability in a Sale and Leaseback***

Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.

The amendment is effective from 1 January 2024.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 30 June 2023

**18. NEW AND AMENDNED STANDARDS AND INTERPRETATIONS**

*Amendments to IAS 1, Non-current Liabilities with Covenants*

Non-current Liabilities with Covenants amends IAS 1, 'Presentation of financial statements'. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.

The amendment is effective from 1 January 2024.

**19. ASSET UNDER MANAGEMENT**

The assets under management with the Company at the end of the year amounted to SR 548 million (30 June 2022: SR 642 million).

**20. EVENTS AFTER THE REPORTING PERIOD**

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

**21. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements have been approved by the Board of Directors of the Company on 10 Rabi Al-Awwal 1445H (corresponding to 25 September 2023).