Morgan Stanley

مورغان ستان السعودية

Board of Directors' Report 2023
Morgan Stanley Saudi Arabia (MSSA)

The MSSA Board of Directors is pleased to present the annual report on the work and achievements of MSSA for the year ended 31 December 2023.

The MSSA audited financial statements and the external auditor's report for the year ended 31 December 2023 (the **Financial Statements**) are attached at Appendix 1.

1. MAIN ACTIVITIES OF MSSA

MSSA is registered with the Capital Market Authority (the **CMA**) and authorized to conduct the following licensed activities in Saudi Arabia:

- **Dealing**: a person deals in a security as principal or as agent, and dealing includes to sell, buy, manage the subscription or underwrite securities;
- **Arranging**: a person introduces parties in relation to offering of securities or arrangement of its underwriting, or advises on corporate finance business;
- **Managing**: a person manages a security belonging to another person in circumstances involving the exercise of discretion, or operates investment funds;
- **Advising**: a person advises another person in relation to a security, which includes advising on the merits of that person dealing in it, exercising any right to deal conferred by it or financial planning and wealth management in it; or
- **Custody**: a person safeguards assets belonging to another person, which include a security, or arranges for another person to do so, and custody includes taking the necessary administrative measures.

2. FINANCIAL PERFORMANCE AND FINANCIAL RESULTS

MSSA has prepared its annual financial statements in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**), interpretations issued by the IFRS Interpretations Committee (**IFRIC**) and that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (**SOCPA**) except for assets held in trust or in a fiduciary capacity which are not treated as assets of MSSA.

Retaining sufficient liquidity and capital to withstand market pressures remains central to the Morgan Stanley's Group's and MSSA's strategy. In particular, MSSA's and Morgan Stanley Group's capital and liquidity is deemed sufficient to exceed regulatory minimums under both a normal and in a stressed market environment for the foreseeable future. MSSA has access to further Morgan Stanley Group capital and liquidity as required. The statutory financial statements have therefore been prepared on a going concern basis. During the year ended 31 December 2023, MSSA retained sufficient liquidity and regulatory capital.

MSSA's total revenues increased by 17% in 2023 to SAR 119.1 million compared with revenues of SAR 101.8 million in 2022. Increase in revenues was mainly driven by higher investment banking and asset management revenues and net interest income; partially offset by lower revenues in brokerage fee and commission income.

Total expenses increased by 15% in 2023 to SAR 104.5 million compared with expenses of SAR 90.6 million in 2022. Compensation expenses increased by 15% mainly due to higher salaries and allowances. Non-compensation expenses increased by 16% primarily due to higher service entity recharges, WHT charges, consulting and connectivity related expenses.

MSSA reported a net income of SAR 9.1 million in 2023 compared with a net income of SAR 7.8 million in 2022.

3. RECENT DEVELOPMENTS

While the start of the year was a challenging period for Saudi Arabia, the year ended on a positive note for local markets and continued confidence in the local growth story.

In investment banking there was a high level of activity across business lines with an increase in IPO and debt capital markets activity. MSSA is committed to servicing its clients by providing best in class advice and execution through its team on the ground and connectivity with the broader global Morgan Stanley advisors. During 2023 the focus was on expanding client coverage and increasing the on-the-ground team footprint.

Saudi Arabia's equity indices ultimately performed well in 2023 with the TASI ending +14% and MSCI Saudi +7.5% (vs MSCI EM +7%), having been down as much as -5% during Q1 and -8% in Q3 respectively. The market ended the year with strong momentum after bottoming in October, as banks' earnings/outlooks improved, and geopolitical escalation concerns eased. Exchange volumes for 2023 accelerated from a low base to finish at a daily average of US$1.43 billion, -22% vs US$1.8 billion for 2022. It should be noted that YTD 2024 volumes have increased significantly, currently averaging US$2.3 billion, including a significant boost from the launch of co-location. Morgan Stanley has been an integral player in this initiative and was the first member to go live. MSSA finished 2023 as the third-ranked international broker on the Saudi Stock Exchange, narrowly off second position, and eighth outright, having traded US$28.7 billion notional through the year. MSSA continues to focus on client engagement with both local and international investors: 2023 saw the Saudi Capital Markets Forum and the Morgan Stanley Annual Saudi Capital Markets Conference returned to an in-person format with strong interest from international investors.

Asset management is a key component of the business in Saudi Arabia and continues to deliver a strong performance. The Morgan Stanley Saudi equity strategy continued its successful track record with another strong year both in terms of both in terms of investment performance and growth in assets-under-management. The flagship fund Morgan Stanley Saudi Equity Fund closed the year up by 39.7% vs TASI at 18.1% (total return). The Saudi equity strategy assets-under-management also registered a strong growth compared with 2022. The team is actively working on launching a MENA equity strategy on the back of the robust Saudi equity strategy investment performance and investor interest. Institutional client sentiment remains positive and appetite for global products continued to be strong. During the year the team was focused on strengthening its footprint on the ground to better support its client base.

During 2023, there were no significant changes in the operations of MSSA. The Board expects to continue undertaking the same business lines during 2024.

4. BOARD OF DIRECTORS

During the year ended 31 December 2023 MSSA's board of directors (the **Board**) consisted of the following members:

- Saud Alblehed - Chairman & Independent Director
- Abdulaziz Alajaji – Executive Director
- Sammy Kayello – Non-executive Director
- Gokhan Unal – Non-executive Director
- Henrik Gobel – Non-executive Director

The Board secretary was Tamim Almazroa.

Dates of and attendance at Board meetings held during 2023 are set out at Annex 1.

Annex 2 shows the membership of Board members on external boards.

MSSA is 100% owned by other entities within the Morgan Stanley group. The Board members, senior executives or relatives do not hold any shares or debt instruments in MSSA.

5. BOARD COMMITTEES

The Board established pursuant to its resolution dated 27 March 2012 a Nomination and Remuneration Committee, a Compliance Committee and an Audit Committee, with appropriate terms of reference in accordance with CMA requirements. The composition of these committees was amended pursuant to a board resolution dated 7 May 2013.

A. Audit Committee

During the year ended 31 December 2023, the Audit Committee was variously composed of the following members:

- Saud Alblehed - Committee Chairman (appointed 22 March 2023)
- Sammy Kayello
- Kieran O'Regan (no longer a member as of June 2023)
- Kate Marr (appointed 25 September 2023)

Dates of and attendance at the Audit Committees held during 2023 at set out at Annex 3.

The duties and responsibilities of the Audit Committee include the following:

i. Reviewing and monitoring the integrity of the financial statements or any other public disclosures of financial information prepared by management, including compliance with accounting standards, the going concern assumption and key judgements, and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters raised by finance management and/or the external auditors.

ii. Reviewing reports on the processes and controls to mitigate the risk of fraud with specific reference to the risk of misstatement in the financial statements or other public disclosures of financial information.
iii. Consideration of any significant changes in accounting policies or practices relevant to MSSA and the Firm and making recommendations to the Board.
iv. Review of the adequacy of internal controls and the resolution of any material weaknesses by reviewing the Internal and External Audit reports by reference to the matrix of the key internal controls and procedures in place at MSSA in relation to its books and records.
v. Reviewing and approving internal audit's mandate.
vi. Review of audit reports and supervision of the implementation of remedial actions highlighted by the reports.
vii. Safeguarding the independence and overseeing the performance of Internal Audit, including by reviewing and approving its audit plan.
viii. Reviewing reports on the results of Internal Audit’s work and, in particular, considering the major findings that have been escalated to the Committee.
ix. Recommendations to the Board of Directors as to the appointment and replacement of external auditors, having due regard to their independence. The external auditors will only be used for audit, audit-related, statutory, regulatory and tax matters, in line with accepted practice, unless otherwise approved pursuant to procedures adopted by Morgan Stanley.
x. Reviewing annually the experience and qualifications of the senior engagement team of the external auditors.
xi. Reviewing with Finance and the external auditors the procedures in place to ensure the ongoing independence of the external auditors.
xii. Reviewing with the external auditors: the external audit plan; significant accounting policies; and audit conclusions.
xiii. Reviewing management representation letters to be provided to the external auditors.
xiv. Discussing with the external auditors any significant disagreements between such auditors and executive management.
xv. Determining the nature, the amount, the format, and the frequency of the information which it is to receive.
xvi. Such other authority, duties and responsibilities as may be delegated to the Committee by the Board.

B. Compliance Committee

During the year ended 31 December 2023, the Compliance Committee was composed of the following members:

- Abdulaziz AlAjaji - Committee Chairman
- Sammy Kayello
- Tamim Almazroa – compliance officer and money laundering reporting officer

Dates of and attendance at the Compliance Committees held during 2022 are set out at Annex 4.

The duties and responsibilities of the Compliance Committee include the following:

i. Ensuring that appropriate policies and procedures are in place to facilitate the Company's compliance with relevant laws, rules and regulations.
ii. Reviewing and approving on behalf of the Board, the manuals, policies and procedures owned by MSSA business units, operations, compliance and GFC functions
iii. Ensuring that the compliance department of the Company is appropriately resourced and has access to all records.
iv. Ensuring that MSSA establishes, implements, enforces and maintains a relevant compliance and financial crime programme.
v. Ensuring the establishment of, and compliance by all employees of MSSA with, a code of conduct.
vi. Ensuring that required notifications are made to the relevant authorities.
vii. Ensuring the development of relevant procedures for reporting to the governing body on compliance matters.
viii. Overseeing and managing legal, franchise, regulatory and conduct risks.
ix. Providing the Board with a periodic update of the committee's deliberations and findings, including the reporting of any instances of non-compliance with any firm policies, laws, regulations or the code of conduct.
x. Reviewing the adequacy of the Compliance Committee Charter bi-annually and, if appropriate, recommend changes to the Board.

C. Nomination and Remuneration Committee

During the year ended 31 December 2023, the Nomination and Remuneration Committee was composed of the following members:

- Sammy Kayello, Chairman
- Saud Al Blehed
- Gokhan Unal

Dates of and attendance at Nomination and Remuneration Committee meetings during 2023 are set out in Annex 5.

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

i. Recommending to the Board appointments to membership of the Board in accordance with approved MSSA policies and standards.
ii. Performing an annual review of the skill requirements for membership of the Board of Directors, and preparing a description of the required capabilities and qualifications for membership, including the time which a member of the Board should reserve for Board activities.
iii. Reviewing the structure of the Board of Directors and recommending changes, where needed.
iv. Determining the points of strength and weakness of the Board of Directors, and recommending changes that are compatible with the best interests of MSSA.
v. On an annual basis, reviewing any potential or actual conflicts of interests applicable to independent board members and ensuring that the independent board members continue to remain independent.
vi. Determining the time required to be allocated by each member of the Board for the proper running of the affairs of the Board.

vii. Drawing up the job descriptions of the executive, non-executive and independent directors and senior executives.
viii. Drawing up appropriate and clear indemnity and remuneration policies for members of the Board, its committees and the executive management of the Company and presenting such remuneration policy to the Board in preparation for approval by the shareholders of the Company.
ix. Determining the steps to be taken in the event of there being a vacancy on the Board or amongst the senior executives of the Company.
x. Reviewing the Saudization ratio of the Company and raising any concerns to the Board.

6. **COMPENSATION**

Annex 6 details the rewards and compensations paid to or to be paid to the directors in 2023 and to the five senior executives of MSSA who have received the highest rewards and compensation (from MSSA), in addition to the CEO and CFO, if the CEO and CFO were not included in the top five. No compensation was paid to the executive officers for their role as executive Board members. No waiver arrangement or agreement is operative.

7. **VIOLATIONS**

No notifications of violations were received in 2023.

8. **INTERNAL AUDIT 2023**

In Q3 2023, Morgan Stanley's internal audit department (the **IAD**) conducted a review focused on evaluating the controls over the risk of inadequate business or employee practices. The IAD report concluded that the system of internal controls was rated satisfactory.

In 2023, MSSA management partially self-identified one high-risk issue (relating to inadequate oversight of KYC onboarding and MSSA client population management) and one moderate-risk issue (relating to Incomplete operations procedures). The IAD identified eight additional moderate-risk issues during the internal audit, related to: (i) ineffective new vendors anti-corruption group review; (ii) ineffective business resilience management; (iii) technology controls gaps; (iv) inadequate oversight of confidential waste disposal; (v) inadequate access restrictions to "private-side" areas; (vi) inadequate compliance oversight of manual local sanctions process; (vii) ineffective client money supervisory review; and (viii) inadequate expense review. Remediation plans have been agreed and are being implemented for all the issues.

Pursuant to Article 62 of the Capital Market Institutions Regulations, both the internal and the external auditors have presented their annual audit results to the Audit Committee. Based on the internal auditors and external auditors review and by reference to the matrix of the key internal controls and procedures in place at MSSA, the Audit Committee is comfortable with the internal processes and controls in place relating to MSSA's books and records.

9. **RISK MANAGEMENT**

MSSA, as a capital market institution operating in Saudi Arabia, is exposed to various operational, liquidity, credit and market risks. Detailed guidelines for managing such risks are in place and are followed as required. Details of MSSA's risk management policies and procedures are provided in the Financial Statements attached at Appendix 1 hereto and submitted to the CMA (see Note 27).

A. Operational Risk

Operational risk refers to the risk of loss, or of damage to MSSA's reputation, resulting from inadequate or failed processes, people and systems, human factors or from external events (for example, fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). MSSA acknowledges that operational risk remains inherent in its products, activities, processes and systems and cannot, therefore, be entirely eliminated. MSSA's Operational Risk Framework is based on the Firm's EMEA Operational Risk Policy and Procedures which are renewed at least annually to articulate clearly the current design and implementation of the EMEA Operational Risk Management Framework.

B. Market Risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

MSSA's market risk exposure is restricted to holding foreign exchange exposures. MSSA manages currency risk based on the Net Open Position of currencies to cover MSSA operations which are not related to trading book. As MSSA has limited exposure outside the Gulf Cooperation Council currencies which are already pegged to the US Dollar, volatility levels are not significant.

C. Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to MSSA. MSSA's credit exposures can be categorized as (i) Risk against placement with the banks and clearing agencies; (ii) Risk against corporate and amounts due from Morgan Stanley Group undertakings; (iii) Risk against past due items; (iv) Risk against tangible/ROU assets; and (v) Risk against deferred expenditure/accrued income.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

D. Liquidity Risk

Liquidity risk refers to the risk that MSSA will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk encompasses MSSA's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten MSSA's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. MSSA pursues a policy of maintaining a high level of liquidity through active and prudent management of assets and liabilities. MSSA has insignificant liabilities compared to total assets and the majority of the assets are highly liquid assets.

10. **LOANS**

As at 31 December 2023, MSSA had SAR 226 million of long-term debt. Debt and other borrowings on MSSA represent funding it receives from Morgan Stanley Group treasury to fund collateral margin requirements and rejected trades.

11. **SUBSIDIARIES**

MSSA had no subsidiaries during the year ended 31 December 2023.

12. **MATERIAL CONTRACTS**

MSSA has not entered into any material contracts outside of its ordinary course of business.

13. **RELATED PARTY TRANSACTIONS**

The Morgan Stanley Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, MSSA is closely integrated with the operations of the Morgan Stanley Group and enters into transactions with other Morgan Stanley Group undertakings on an arm's-length basis for the purposes of utilising financing, trading and risk management, and infrastructure services.

Types of related party transactions include general funding transactions (see point 10 above), management charges and fee and commission income to and from other Morgan Stanley Group entities. Details of the amounts of such related party transaction can be found at Note 32 to the Financial Statements attached to this Report at Appendix 1.

As at 31 December 2023, receivables due from related parties amounted to SAR 16.9 million and amounts due to related parties amounted to SAR 4.5 million.

During the year ended 31 December 2023, MSSA had no business or contracts with entities owned or controlled by any members of the Board, any senior executives of MSSA or any persons related to them.

Annex 1

Dates and Attendances at 2023 Board Meetings

Name	Position	23/03/23	10/10/23
Saud Al Blehed	Chairman	Yes	Yes
Abdulaziz Alajaji	Executive Director	Yes	Yes
Sammy Kayello	Non-executive Director	Yes	Yes
Gokhan Unal	Non-executive Director	Yes	Yes
Henrik Gobel	Non-executive Director	Yes	Yes

Annex 2

MSSA directors' membership of external boards

Director	Name of external board
Saud Al Blehed	1. Managing Director and board member, Watad Holding 2. Vice Chairman, Ijarah Finance 3. Chairman, Forus Investments & Real Estate Development

Annex 3

Dates and Attendances at 2023 Audit Committee Meetings

Name	Position	23/03/23	10/10/23	15/11/23	11/12/23
Saud Al Blehed	Chairman	Yes	Yes	Yes	Yes
Sammy Kayello	Member	Yes	Yes	Yes	Yes
Kieran O’Regan	Member	Yes			
Kate Marr	Member		Yes	Yes	Yes

Annex 4

Dates and Attendances at 2023 Compliance Committee Meetings

Name	Position	23/03/23	10/10/23	21/12/23
Abdulaziz Alajaji	Chairman	Yes	Yes	Yes
Sammy Kayello	Member	Yes	Yes	Yes
Tamim Almazroa	Member	Yes	Yes	Yes

Annex 5

Dates and Attendances at 2023 Nomination and Remuneration Committee Meetings

Name	Position	23/03/23	10/10/23
Sammy Kayello	Chairman	Yes	Yes
Saud Al Blehed	Member	Yes	Yes
Gokhan Unal	Member	Yes	Yes

Annex 6

Disclosure of remunerations and compensations paid to members of the board of directors of the capital market institution and five of the senior executives who received the highest remunerations and compensations, in addition to the chief executive officer and chief financial officer if they are not among them

	Executive board members	Non-executive board members	Independent board members
Allowance for attendance of the board of directors' sessions	0	0	0
Allowance for attendance of the committees' sessions	0	0	0
Periodic and annual remunerations	0	0	500,000
Incentive plans	0	0	0
Any compensations or other in-kind benefits paid monthly or annually	0	0	0
Total	0	0	500,000

	Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them
Salaries and Wages	6,855,000
Allowances	0
Periodic and annual remunerations	8,456,310
Incentive Plans	2,105,559
Commissions	0
Any compensations or other in-kind benefits paid monthly or annually	0
Total	17,416,869

All amounts are in SAR.

Annex 7

List of MSSA Assets, Liabilities and Outcomes of Activities for 2019-2023

	Assets	Liabilities	Outcomes of Activities
2019	306,859	58,196	13,544
2020	298,533	39,092	12,159
2021	397,312	87,656	11,053
2022	743,673	282,940	7,820
2023	749,435	278,990	9,050

All amounts are in SAR thousand.

Appendix 1

MSSA Audited Financials as at and for the year ended 31 December 2023

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

Financial statements and Independent Auditor's Report

For the year ended 31 December 2023

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

Financial Statements for the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Morgan Stanley Saudi Arabia
(A Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Morgan Stanley Saudi Arabia** ("the Company"), which comprise the statement of financial position as at December 31, 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance, i.e. 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.

Independent Auditor's Report
To the shareholders of Morgan Stanley Saudi Arabia

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure is 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.

Deloitte and Touche & Co.
Chartered Accountants

Mazen A Al Omari
Certified Public Accountant
License No. 480
Ramadan 18, 1445H
March 28, 2024

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
المركز الرئيسي - الرياض
س.ت: ١٠١٠٦٠٠٠٣٠
CR.: 1010600030
HO-Riyadh
Chartered Accountants
Deloitte and Touche & Co.

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

INCOME STATEMENT
For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000
Fees and commission income		120,191	115,036
Fee and commission expense		(7,815)	(10,468)
Net fees and commission income	4	112,376	104,568
Total Non-interest revenues		112,376	104,568
Interest income		22,154	5,041
Interest expense		(15,408)	(7,763)
Net interest income/(expense)	5	6,746	(2,722)
Net revenues		119,122	101,846
Non-interest expense:			
Other expense	6	(104,494)	(90,638)
Net (Impairment loss)/ reversal of impairment loss on financial assets	7	(701)	17
PROFIT BEFORE INCOME TAX		**13,927**	**11,225**
Income tax expense, net	8	(4,877)	(3,405)
PROFIT FOR THE YEAR		**9,050**	**7,820**

All results were derived from continuing operations.

The notes on pages 10 to 52 form an integral part of the financial statements.

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000
PROFIT FOR THE YEAR		9,050	7,820
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of net defined benefit liability	8	662	757
OTHER COMPREHENSIVE INCOME		**9,712**	**8,577**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**9,712**	**8,577**

The notes on pages 10 to 52 form an integral part of the financial statements.

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Notes	Share capital SAR'000	Statutory reserve SAR'000	Capital contribution SAR'000	Retained earnings SAR'000	Total equity SAR'000
Balance at 1 January 2023		245,500	20,282	—	194,951	**460,733**
Profit for the year		—	—	—	9,050	**9,050**
Remeasurement of net defined benefit liability	8	—	—	—	662	**662**
Total comprehensive income for the year		—	—	—	9,712	**9,712**
Transfer to statutory reserve	23	—	905	—	(905)	—
Balance at 31 December 2023		**245,500**	**21,187**	—	**203,758**	**470,445**
Balance at 1 January 2022		65,000	19,500	38,000	187,156	**309,656**
Profit for the year		—	—	—	7,820	**7,820**
Remeasurement of net defined benefit liability	8	—	—	—	757	**757**
Total comprehensive income for the year		—	—	—	**8,577**	**8,577**
Transfer to statutory reserve	23	—	782	—	(782)	—
Transactions with owners:						
Conversion of capital contribution reserve to share capital	24	38,000	—	(38,000)	—	—
Capital injection	22	142,500	—	—	—	**142,500**
Balance at 31 December 2022		**245,500**	**20,282**	—	**194,951**	**460,733**

The notes on pages 10 to 52 form an integral part of the financial statements.

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000
ASSETS			
Cash and demand deposits	9	550,667	552,217
Trade and other receivables	10	161,190	133,997
Current tax assets	19	—	642
Deferred tax assets	11	4,096	3,690
Other assets	12	8,105	24,012
Right of use assets	13	16,401	23,182
Property and equipment	14	8,976	5,923
Intangible assets	15	—	10
TOTAL ASSETS		**749,435**	**743,673**
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	16	9,299	17,120
Debt and other borrowings	17	225,956	216,077
Provisions	18	—	27
Current tax liabilities	19	2,286	820
Other liabilities	20	14,676	15,843
Lease liabilities	25(b)	16,511	23,215
Post-employment benefit obligations	31	10,262	9,838
TOTAL LIABILITIES		**278,990**	**282,940**
EQUITY			
Share capital	22	245,500	245,500
Statutory reserve	23	21,187	20,282
Retained Earnings		203,758	194,951
TOTAL EQUITY		**470,445**	**460,733**
TOTAL LIABILITIES AND EQUITY		**749,435**	**743,673**

These financial statements were approved by the Board and authorised for issue on 25 March 2024.

Signed on behalf of the Board

Director

Abdulaziz Alajaji

The notes on pages 10 to 52 form an integral part of the financial statements.

MORGAN STANLEY SAUDI ARABIA
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the Year ended 31 December 2023

	Notes	2023 SAR'000	2022 SAR'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	25 (a)	**(349)**	**(110,029)**
INVESTING ACTIVITIES			
Purchase of property and equipment	14	(4,930)	(4,498)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(4,930)**	**(4,498)**
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	25 (b)	(6,150)	(6,450)
Increase in debt and other borrowings	25 (b)	9,879	174,594
Receipt of capital contribution	22	—	142,500
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES		**3,729**	**310,644**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,550)**	**196,117**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**552,217**	**356,100**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**550,667**	**552,217**

The notes on pages 10 to 52 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

1. CORPORATE INFORMATION

Morgan Stanley Saudi Arabia (the "Company") is a Closed Joint Stock Company incorporated, domiciled and registered in Riyadh, Kingdom of Saudi Arabia ("KSA") under commercial registration number 1010224144 dated Ramadan 18, 1427H (corresponding to 7 October 2006). The Company is registered at the following address: 10th Floor, Al Rashid Tower, 7931, King Saud Road, Riyadh 12621, KSA.

The Company is engaged in dealing, managing investments and operating funds, arranging, custody and advisory services as authorised by the Capital Market Authority ("CMA") under license number 06044-37 dated Jumada Al-Thani 2, 1428H (corresponding to 17 June 2007).

The Company's immediate parent undertaking and majority shareholder is Morgan Stanley Middle East Inc., which is incorporated in the State of Delaware, United States of America.

The Company's ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the Morgan Stanley Group ("MS Group"). Morgan Stanley has its registered office c/o The Corporation Trust Company, The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States of America and is incorporated in the State of Delaware, in the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

2. BASIS OF PREPARATION

Statement of compliance

The Company has prepared its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), interpretations issued by the IFRS Interpretations Committee ("IFRIC") that are endorsed in the KSA, and other standards and pronouncements issued by the Saudi organisation for Chartered and Professional Accountants ("SOCPA") except for assets held in trust or in a fiduciary capacity which are not treated as assets of the Company. This treatment is in compliance with the CMA's circular dated 4 January 2017 which refers to the resolution dated 20/3/1438H corresponding to 19 December 2016. Accordingly, these assets are not included in the accompanying financial statements.

New standards and interpretations adopted during the year

The following standards, amendments to standards and interpretations relevant to the Company's operations were adopted during the year. Except where otherwise stated, these standards, amendments to standards and interpretations did not have a material impact on the Company's financial statements.

Amendments to IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*: Definition of Accounting Estimates were issued by the IASB in February 2021, for prospective application in accounting periods beginning on or after 1 January 2023.

Amendments to IAS 1 *'Presentation of Financial Statements'*: Disclosure of Accounting Policies were issued by the IASB in February 2021, for prospective application in accounting periods beginning on or after 1 January 2023.

Amendments to IAS 12 *'Income Taxes'*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction were issued by the IASB in May 2021, for retrospective application in accounting periods beginning on or after 1 January 2023.

2. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations adopted during the year (continued)

Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules were issued by the IASB in May 2023, for application in accounting periods beginning on or after 1 January 2023.

There were no other standards, amendments to standards or interpretations relevant to the Company's operations which were adopted during the year.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards, amendments to standards and interpretations relevant to the Company's operations were issued by the IASB but not mandatory for accounting periods beginning 1 January 2023. The Company does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current were issued by the IASB in January 2020 and revised in July 2020 and October 2022, for retrospective application in accounting periods beginning on or after 1 January 2024. Earlier application is permitted.

Basis of measurement

The financial statements of the Company are prepared under the historical cost basis, except for the employee defined benefit liability and deferred compensation liabilities, which has been actuarially valued as explained in the accounting policies below.

Representation of comparative amounts

The Company has presented residual other expenses at a more granular level by adding new line items on the other expenses note (note 6). The comparative amounts have been represented accordingly inline with IAS 1 requirements. Prior year numbers for fiduciary assets has been restated in Assets held in Fiduciary Capacity note (note 34). This does not have any impact on the primary financial statements.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The critical judgements in applying the Company's accounting policies are those regarding the recognition of assets held in trust or fiduciary capacity (see note 34).

2. BASIS OF PREPARATION (CONTINUED)

There are no key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The Company evaluates the critical accounting judgements on an ongoing basis and believes that these are reasonable.

The going concern assumption

The Company's business activities, together with the developments during the year, performance and position, are reflected in the Company's Board report which can be found at:

https://www.morganstanley.com/about-us/global-offices/europe-middle-east-africa/saudi-arabia#RegulatoryDocumentation

In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

Retaining sufficient liquidity and capital to withstand market pressures remains central to the MS Group's and the Company's strategy. In particular, the Company's and MS Group's capital and liquidity is deemed sufficient to exceed regulatory minimums under both a normal and in a stressed market environment for the foreseeable future. The Company has access to further MS Group capital and liquidity as required.

Taking the above factors into consideration, the Board of Directors believe that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a. Functional currency

Items included in the financial statements are measured and presented in Saudi Riyals ("SAR"), the currency of the primary economic environment in which the Company operates.

All currency amounts in the financial statements are rounded to the nearest thousand SAR.

b. Foreign currencies

All monetary assets and liabilities denominated in currencies other than SAR are translated into SAR at the rates ruling at the reporting date. Transactions and non-monetary assets and liabilities denominated in currencies other than SAR are recorded at the rates prevailing at the dates of the transactions. All translation differences are taken through the income statement. Exchange differences recognised in the income statement are presented in 'Other expense'.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments

Financial assets classified as amortised cost include cash and demand deposits and trade and other receivables. These instruments are recognised when the Company becomes a party to the contractual provision of the instrument. These instruments are initially measured at fair value and subsequently measured at amortised cost less expected credit loss ("ECL") allowance. Interest is recognised in the income statement in 'Interest income' using the effective interest rate ("EIR") method. ECL and reversals thereof are recognised in the income statement in 'Net impairment reversal/ (loss) on financial instruments'.

Financial liabilities classified as amortised cost include trade and other payables and debt and other borrowings. These instruments are recognised when the Company becomes a party to the contractual provision of the instrument and are initially measured at fair value and subsequently measured at amortised cost. Interest is recognised in the income statement in 'Interest expense' using the EIR method.

d. Derecognition of financial assets and liabilities

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

If the asset has been transferred, and the Company neither transfers nor retains substantially all of the risks and rewards of the asset, then the Company determines whether it has retained control of the asset.

If the Company has retained control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Company has not retained control of the asset, it derecognises the asset and separately recognises any rights or obligations created or retained in the transfer.

Upon derecognition of a financial asset, the difference between the previous carrying amount and the sum of any consideration received, together with the transfer of any cumulative gain/loss previously recognised in equity, are recognised in the income statement within 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'.

The Company derecognises financial liabilities when the Company's obligations are discharged or cancelled or when they expire.

e. Impairment of financial assets

The Company recognises loss allowances for ECL for financial assets measured at amortised cost and contract assets.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e. Impairment of financial assets (continued)

Measurement of ECL

The Company applies a three stage approach to measuring ECLs based on the change in credit risk since initial recognition:

- Stage 1: if the credit risk of the financial instrument at the reporting date has not increased significantly since initial recognition then the loss allowance is calculated as the lifetime cash shortfalls that will result if a default occurs in the next 12 months, weighted by the probability of that default occurring.

- Stage 2: if there has been a significant increase in credit risk ("SICR") since initial recognition, the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

- Stage 3: if there has been a SICR since initial recognition and the financial instrument is deemed credit-impaired (see below for definition of credit-impaired), the loss allowance is calculated as the ECL over the remaining life of the financial instrument. If it is subsequently determined that there has no longer been a SICR since initial recognition, then the loss allowance reverts to reflecting 12 month expected losses.

Notwithstanding the above, for trade receivables and contract assets under IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15') which do not have a significant financing component a lifetime ECL is always calculated, without considering whether a SICR has occurred.

Assessment of significant increase in credit risk

When assessing SICR, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience and expert credit risk assessment, including forward-looking information.

The determination of a SICR is generally based on changes in the probability of default ("PD"), in conjunction with a rebuttable presumption that a SICR has occurred if a financial asset is more than 30 days past due.

Calculation of ECL

ECL is calculated using three main components:

- PD: for accounting purposes, the 12 month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and over the remaining lifetime of the financial instrument respectively, based on conditions existing at the balance sheet date and future economic conditions.

- Loss given default ("LGD"): the LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, including the expected value of the collateral when realised and the time value of money.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e. Impairment of financial assets (continued)

- Exposure at default ("EAD"): this represents the expected EAD, taking into account the expected repayment of principal and interest from the balance sheet date to the date of default event together with any expected drawdowns of the facility over that period.

These parameters are generally derived from internally developed statistical models, incorporating historical, current and forward-looking macro-economic data and country risk expert judgement. The macro-economic scenarios are reviewed quarterly.

The 12 month ECL is equal to the sum over the next 12 months of quarterly PD multiplied by LGD and EAD, with such expected losses being discounted at the EIR. Lifetime ECL is calculated using the discounted present value of total quarterly PDs multiplied by LGD and EAD, over the full remaining life of the facility.

When measuring ECLs, the Company considers multiple scenarios, except where practical expedients are used to determine ECL. Practical expedients are used where they are consistent with the principles described above. ECL on certain trade receivables are calculated using a 'matrix' approach which reflects the previous history of credit losses on these financial assets, applying different provision levels based on the age of the receivable. Alternatively where there is a history of no credit losses, and where this is expected to persist into the future for structural or other reasons, such as collateral or other credit enhancement, it may be determined that the ECL for a financial instrument is de minimis (highly immaterial) and it may not be necessary to recognise the ECL.

The Company measures ECL on an individual asset basis and has no purchased or originated credit-impaired ("POCI") financial assets.

More information on measurement of ECL is provided in note 27 Financial risk management.

Presentation of ECL

ECL is recognised in the income statement within 'Net (Impairment loss)/ reversal of impairment loss on financial assets'.

Credit-impaired financial instruments

In assessing the impairment of financial instruments under the ECL model, the Company defines credit-impaired financial instruments in accordance with the MS Group Credit Risk Management Department's policies and procedures. A financial instrument is credit-impaired when, based on current information and events, it is probable that the Company will be unable to collect all scheduled payments of principal or interest when due according to the contractual terms of the agreement.

Definition of Default

In assessing the impairment of financial instruments under the ECL model, the Company defines default in accordance with MS Group Credit Risk Management Department's policies and procedures. This considers whether the borrower is unlikely to pay its credit obligations to the Company in full and takes into account qualitative indicators, such as breaches of covenants. The definition of default also includes a presumption that a financial asset which is more than 90 days past due has defaulted.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e. Impairment of financial assets (continued)

Write-offs

Trade and other receivables other than employee receivables and other assets are written off (either partially or in full) when they are deemed uncollectible. Financial assets that are written off could still be subject to enforcement activities for recoveries of amounts due.

f. Revenue recognition and contract assets and liabilities

Revenues are recognised when the promised services are delivered to the Company's customers, in an amount that is based on the consideration the Company expects to receive in exchange for those services when such amounts are not probable of significant reversal.

The Company recognizes revenue from the following major sources:

- Investment banking;
- Asset management fees, and
- Brokerage fee and commission income

Investment banking

Revenue from investment banking activities consists of revenues earned from underwriting primarily equity and fixed income securities and advisory fees for mergers, acquisitions, restructuring and advisory assignments.

Underwriting revenues are generally recognised on trade date, if there is no uncertainty or contingency related to the amount to be paid. Underwriting costs are deferred and recognised when the related underwriting revenues are recorded.

Advisory fees are recognised over time, based on estimated progress of work as advice is provided to the client and when the revenue is not probable of a significant reversal. Advisory expenses are recognised as incurred, including when reimbursed.

Asset management fees

Asset management, distribution and administration fees are generally based on related asset levels being managed, such as the assets under management of a customer's account, or the net asset value of a fund. These fees are generally recognised when services are performed and the fees become known. Management fees are reduced by estimated fee waivers and expense caps, if any, provided to the customer. Distribution fees contingent upon an investor exiting a fund are recognised when the investor exits the fund.

Brokerage fee and commission income

Fee and commission income results from transaction-based arrangements in which the client is charged a fee for the execution of transactions. Such revenues primarily arise from transactions in equity securities; services related to sales and trading activities; and sales of mutual funds and alternative funds. Fee and commission income is recognised on trade date when the performance obligation is satisfied.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

f. Revenue recognition and contract assets and liabilities (continued)

Other items

Receivables from contracts with customers are recognised within ‘Trade and other receivables’ in the statement of financial position when the underlying performance obligations have been satisfied and the Company has the right per the contract to bill the customer. Contract assets are recognised when the Company has satisfied its performance obligations, however, customer payment is conditional, and are presented within ‘Other assets’.

Incremental costs to obtain the contract are expensed as incurred if the contract duration is one year or less. Revenues are not discounted when payment is expected within one year.

g. Fees and commission expense

Fees and commission expense in the income statement include brokerage transaction fees. Amounts are recognised as the related services are received.

h. Property and equipment

Property and equipment are stated at cost net of depreciation and any provision for impairment in value, (see note 3(j) below), which are included within ‘Other expense’ in the income statement.

Depreciation is provided on property and equipment at rates calculated to write off the cost of the assets on a straight line basis over their expected useful lives as follows:

Leasehold improvements, including reinstatement assets	–	Lower of 8 to 10 years or remaining lease term
Fixtures, fittings and equipment	–	3 to 9 years
Right-of-use assets - Property	–	3 years
Right-of-use assets - Other	–	6 years

Assets in the course of construction are not depreciated until the construction is complete and the asset is ready for use. The asset is then transferred to leasehold improvements or fixtures, fittings and equipment, where it is depreciated at the relevant rate.

The carrying amount of an item of property and equipment shall be derecognised on disposal or when no further economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

i. Intangible assets

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses (see note (3j) below).

Amortisation is recognised in ‘Other expense’ in the income statement on a straight line basis over the useful economic life of the software from the date that it is available for use. The estimated useful life of acquired software is three years.

j. Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

k. Cash and cash equivalents

For the purposes of the statement of cash flows, Cash and cash equivalents comprise cash and demand deposits with banks, net of outstanding bank overdrafts, along with highly liquid investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

l. Income tax

Income tax expense in the financial statements is calculated in accordance with the Zakat, Tax and Customs Authority (“ZATCA”) rules. The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is calculated based on taxable profit for the year. Taxable profit may differ from profit/ (loss) before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Taxable profit is also adjusted if it is considered that it is not probable that a taxation authority will accept an uncertain tax treatment. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Current tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the current tax is also recorded within other comprehensive income or equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and limited to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

l. Income tax (continued)

directly to other comprehensive income or equity, in which case the deferred tax is reflected within other comprehensive income or equity, respectively.

Current tax assets are offset against current tax liabilities when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and current tax liabilities on a net basis or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and current tax liabilities on a net basis.

m. Leases

For leases whose original lease term exceeds one year, right-of-use ("ROU") assets and lease liabilities are initially recognised based on the present value of the lease payments over the lease term. The discount rate used in determining the present value is the Company's incremental borrowing rate. The ROU asset also includes any prepaid lease payments and initial direct costs incurred and is reduced to reflect lease incentives received. The interest on lease liabilities is accrued at a constant periodic rate of interest on the remaining balance of the lease liability. The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or from a market rent review. Additionally, the lease liability is remeasured if the Company changes its assessment of whether it will exercise an extension or termination option or undertakes certain modifications of the lease. The ROU asset is depreciated on a straight line basis from the lease commencement date to the earlier of the end of its useful life or the end of the lease term. Depreciation of ROU assets is presented within 'Other expenses'. In addition, the ROU asset is tested for impairment losses where there is an impairment event.

The Company evaluates contracts greater than one year to determine whether they contain lease components at inception. Where contracts contain both lease and non-lease components, they are accounted for as a single lease.

The Company presents ROU assets and lease liabilities separately on the statement of financial position.

n. Provisions, contingent liabilities and commitments

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

A contingent liability is a possible obligation, that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company or a present obligation that arises from past events but is not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured.

A commitment is any legal obligation to potentially make or receive cash payments or transfer cash.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

o. Offsetting of financial assets and financial liabilities

Where there is a currently legally enforceable right to set off the recognised amounts and an intention to either settle on a net basis or to realise the asset and the liability simultaneously, financial assets and financial liabilities are offset and the net amount is presented on the statement of financial position. In the absence of such conditions, financial assets and financial liabilities are presented on a gross basis.

p. Employee compensation plans

i) Equity-settled share-based compensation plans

Morgan Stanley issues awards in the form of restricted stock units ("RSUs") to employees of the Morgan Stanley Group for services rendered to the Company. Awards are equity-settled and the cost of the equity-based transactions with employees is measured based on the fair value of the equity instruments at grant date. The fair value of RSUs is based on the market price of Morgan Stanley common stock, measured as the volume-weighted average price on the grant date ("VWAP"). The fair value of RSUs not entitled to dividends until conversion is measured at VWAP reduced by the present value of dividends expected to be paid on the underlying shares prior to the scheduled conversion date.

Awards generally contain clawback and cancellation provisions. Certain awards provide Morgan Stanley the discretion to clawback or cancel all or a portion of the award under specified circumstances. Prior to April 2023 where award terms were considered subjective, compensation expense for these awards was adjusted for changes in the fair value of the Morgan Stanley's common stock until conversion. In April 2023, the firm amended the terms of these awards to achieve a mutual understanding with the employee such that the firm is no longer required to adjust for changes in the fair value of the Morgan Stanley common stock.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the award. An estimation of awards that will be forfeited prior to vesting due to the failure to satisfy service conditions is considered in calculating the total compensation cost to be amortised over the relevant vesting period.

Under Morgan Stanley Group chargeback agreements, the Company pays Morgan Stanley for the procurement of shares. The Company pays Morgan Stanley the grant date fair value.

Share based compensation expense is recorded within 'Staff costs' in 'Other expense' in the income statement.

ii) Deferred cash-based compensation plans

Morgan Stanley may award deferred cash-based compensation on behalf of the Company for the benefit of employees, providing a return to the participating employees based upon the performance of various referenced investments. Compensation expense for deferred cash-based compensation awards is calculated based on the notional value of the award granted, adjusted for changes in the fair value of the referenced investments that employees select.

The Company recognises compensation cost over the relevant vesting period for each separately vesting portion of the deferred awards. Forfeitures due to failure to satisfy service conditions are accounted for as they occur.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

p. Employee compensation plans (continued)

Deferred cash-based compensation expense is recorded within ‘Staff costs’ in ‘Other expense’ in the income statement. The liability for the awards is measured at fair value and is included within ‘Other liabilities’ in the statement of financial position.

q. Post-employment benefits

The Company operates a defined benefit post-employment plan (“the plan”).

Defined benefit plan obligations are measured on an actuarial basis in accordance with the advice of an independent qualified actuary using the projected unit credit method. Given there is no deep market in corporate bonds within the Kingdom of Saudi Arabia, the US AA-rated corporate bond market has been used as a proxy for determining an appropriate discount rate. Salary increase rates are projected by the Company in line with future expectations. The plan is unfunded as no assets are allocated to cover the Company’s liabilities. When payments are required to be made, the Company pays a contribution to the plan equal to the benefit to be paid.

The current service cost and any past service costs, together with the net interest on the net defined benefit obligation are charged to ‘Staff costs’ within ‘Other expense’ in the income statement. Remeasurements that arise in calculating the Company’s obligation in respect of a plan are recognised in other comprehensive income, in the period in which they occur.

Details of the plans are given in note 31 to these financial statements.

4. FEES AND COMMISSIONS

	2023 SAR'000	2022 SAR'000
Fee and commission income:		
Brokerage fee and commission income	68,254	73,318
Asset management fees	37,811	30,767
Investment banking	14,126	10,951
Total fee and commission income	**120,191**	**115,036**
Of which, revenue from contracts with customers	*64,304*	*67,729*
Fee and commission expense:		
Brokerage fees	(7,815)	(10,468)
Total fee and commission expense	**(7,815)**	**(10,468)**
Net fee and commission income	**112,376**	**104,568**

See note 32 for fee and commission income earned from other MS Group undertakings.

5. INTEREST INCOME AND INTEREST EXPENSE

All interest income and expense relate to financial assets and financial liabilities at amortised cost and is calculated using the EIR method (refer to Note 3(c)).

	2023 SAR'000	2022 SAR'000
Interest income from Murabaha deposits	19,534	4,949
Other interest income	2,620	92
Total interest income	**22,154**	**5,041**
Interest expense on loans from other MS Group undertakings	(15,083)	(7,693)
Interest expense on lease liability	(325)	(70)
Total interest expense	**(15,408)**	**(7,763)**
Net interest income/(expense)	**6,746**	**(2,722)**

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as 'Interest income' and foreign exchange differences disclosed in 'Other expense' (see note 6).

No other gains or losses have been recognised in respect of financial liabilities measured at amortised cost other than as disclosed as 'Interest expense' and foreign exchange differences disclosed in 'Other expense' (see note 6).

6. OTHER EXPENSES

	2023 SAR'000	2022 SAR'000
Staff costs	39,769	34,717
Management charges from other Morgan Stanley Group undertakings relating to other services	35,740	32,144
Witholding tax	6,832	5,448
Depreciation on right of use asset	5,987	6,414
Bank charges	3,160	3,913
Other professional services	2,700	2,547
Marketing and business development	2,363	826
Information processing	2,027	865
Depreciation on property, plant and equipment	1,877	822
Irrecoverable VAT	1,035	1
Other administration and corporate services expenses	849	539
Government fees	703	763
Office services and stationery	596	573
Accrued directors' remuneration	494	662
Other expenses	176	316
Net foreign exchange losses	91	24
Investment banking fees	85	—
Amortisation of intangible assets	10	23
Management charges from other Morgan Stanley Group undertakings relating to staff costs	—	41
Total	**104,494**	**90,638**

A description of the Company’s significant leasing arrangements is presented at note 21 Leases.

Information regarding employee compensation plans is provided in note 30.

7. NET (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS

The following table shows the net ECL charge for the year:

	2023 SAR'000	2022 SAR'000
Other assets	(458)	17
Trade and other receivables	(243)	—
Total Net (Impairment loss)/ reversal of impairment loss on financial assets	**(701)**	**17**

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7. NET (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS ON FINANCIAL ASSETS (CONTINUED)

All of the above impairment losses were calculated on an individual basis. No collective impairment assessments were made during the year or prior year.

8. INCOME TAX

	2023 SAR'000	2022 SAR'000
Current tax		
Current year	4,828	3,384
Adjustments in respect of prior years	621	(1)
	5,449	3,383
Deferred tax		
Origination and reversal of temporary differences	(572)	22
Income tax	**4,877**	**3,405**

Reconciliation of effective tax rate

The reconciliation between accounting income and income tax expense is as follows:

	2023 SAR'000	2022 SAR'000
Profit before income tax	13,927	11,225
Income tax using the standard rate of corporation tax in KSA of 20%	2,786	2,245
Impact on tax of:		
Expenses not deductible for tax purposes	2,042	1,139
Other timing differences	(572)	22
Tax under provided in prior years	621	(1)
Total income tax expense in the income statement	**4,877**	**3,405**

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to each component of other comprehensive income was as follows:

8. INCOME TAX (CONTINUED)

	2023			2022		
	Before tax SAR'000	Tax benefit SAR'000	Net of tax SAR'000	Before tax SAR'000	Tax benefit SAR'000	Net of tax SAR'000
Remeasurement of net defined benefit liability	828	(166)	662	946	(189)	757

9. CASH AND DEMAND DEPOSITS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances which have less than three months of maturity from the date of acquisition:

	2023 SAR'000	2022 SAR'000
Murabaha deposits	404,999	375,160
Cash at bank	145,668	177,057
Total cash and demand deposits	**550,667**	**552,217**

Murabaha deposits represent Shariah compliant time placements with a local bank at an average commission rate of 5.3% per annum (2022: 2.81% per annum). Murabaha deposits have original maturity of less than 3 months.

10. TRADE AND OTHER RECEIVABLES

	2023 SAR'000	2022 SAR'000
Trade and other receivables (amortised cost)		
Trade receivables:		
Balances held with Central Counterparty Clearing House*	113,665	111,861
Contracts with customers	28,769	18,160
Less: ECL allowance	(243)	—
Total trade receivables	142,191	130,021
Other receivables:		
Accrued interest income from Murabaha deposits	881	2,717
Employee and other receivables	1,260	847
Amounts due from other MS Group undertakings	16,858	412
Total other receivables	18,999	3,976
Total trade and other receivables (amortised cost)	**161,190**	**133,997**

* This represents cash collateral balance held with Muqassa, which is a subsidiary of the Saudi Stock Exchange.

11. DEFERRED TAX ASSETS

Deferred taxes are calculated on all temporary differences under the balance sheet liability method. The movement in the deferred tax account is as follows:

	2023 SAR'000	2022 SAR'000
At 1 January	3,690	3,901
Amount recognised in the income statement	572	(22)
Amount recognised in the other comprehensive income	(166)	(189)
At 31 December	**4,096**	**3,690**

The deferred tax included in the statement of financial position and changes recorded in 'Income tax expense' are as follows:

	Deferred tax asset 2023 SAR	Income statement 2023 SAR'000 2023 SAR	Deferred tax asset 2022 SAR	Income statement 2022 SAR'000 2022 SAR
Temporary differences arising in net defined benefit obligation	2,052	(250)	1,968	(237)
Temporary differences arising in net book value of property and equipment	1,369	(18)	1,350	212
Temporary differences arising in provision for employee compensation plans	521	(163)	358	43
Temporary differences arising in provisions for other assets	154	(141)	14	4
	4,096	**(572)**	**3,690**	**22**

12. OTHER ASSETS

	2023 SAR'000	2022 SAR'000
Contract Assets	7,933	23,828
Less: ECL allowance	(529)	(71)
	7,404	23,757
Prepayments	701	255
Total other assets	**8,105**	**24,012**

13. RIGHT-OF-USE-ASSET

2023	Right -of-use assets - Property SAR'000	Right -of-use assets - Other SAR'000	Total SAR'000
Cost			
At 1 January	13,850	22,050	35,900
Additions	—	—	—
Adjustment		(4,694)	(4,694)
At 31 December	**13,850**	**17,356**	**31,206**
Depreciation			
At 1 January	(8,818)	(3,900)	(12,718)
Charge for the year	(2,516)	(3,471)	(5,987)
Adjustment	—	3,900	3,900
At 31 December	**(11,334)**	**(3,471)**	**(14,805)**
Carrying amount at 31 December	**2,516**	**13,885**	**16,401**

2022	Right -of-use assets - Property SAR'000	Right -of-use assets - Other SAR'000	Total SAR'000
Cost			
At 1 January	13,757	—	13,757
Additions	93	22,050	22,143
At 31 December	**13,850**	**22,050**	**35,900**
Depreciation			
At 1 January	(6,304)	—	(6,304)
Charge for the year	(2,514)	(3,900)	(6,414)
At 31 December	**(8,818)**	**(3,900)**	**(12,718)**
Carrying amount at 31 December	**5,032**	**18,150**	**23,182**

14. PROPERTY AND EQUIPMENT

2023	Leasehold improvements SAR'000	Fixtures, fittings and equipment SAR'000	Assets in the course of construction SAR'000	Total SAR'000
Cost				
At 1 January 2023	**15,425**	**9,129**	**3,036**	**27,590**
Additions	173	4,757	—	4,930
Transfers	—	3,006	(3,006)	—
At 31 December 2023	**15,598**	**16,892**	**30**	**32,520**
Accumulated Depreciation				
At 1 January 2023	(15,327)	(6,340)	—	(21,667)
Charges for the year	(73)	(1,804)	—	(1,877)
At 31 December 2023	**(15,400)**	**(8,144)**	**—**	**(23,544)**
Carrying amount				
At 31 December 2023	**198**	**8,748**	**30**	**8,976**

2022	Leasehold improvements SAR'000	Fixtures, fittings and equipment SAR'000	Assets in the course of construction SAR'000	Total SAR'000
Cost				
At 1 January 2022	**15,263**	**8,243**	**30**	**23,536**
Additions	162	1,330	3,006	4,498
Disposals	—	(444)	—	(444)
At 31 December 2022	**15,425**	**9,129**	**3,036**	**27,590**
Accumulated Depreciation				
At 1 January 2022	(15,263)	(6,026)	—	(21,289)
Charges for the year	(64)	(758)	—	(822)
Disposals	—	444	—	444
At 31 December 2022	**(15,327)**	**(6,340)**	**—**	**(21,667)**
Carrying amount				
At 31 December 2022	**98**	**2,789**	**3,036**	**5,923**

15. INTANGIBLE ASSETS

	2023			2022		
	Computer Software	Other intangible assets	Total	Computer Software	Other intangible assets	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Cost						
At 1 January	1,594	158	1,752	1,594	158	1,752
Additions	—	—	—	—	—	—
At 31 December	**1,594**	**158**	**1,752**	**1,594**	**158**	**1,752**
Accumulated amortisation						
At 1 January	(1,584)	(158)	(1,742)	(1,561)	(158)	(1,719)
Amortisations for the year	(10)	—	(10)	(23)	—	(23)
At 31 December	**(1,594)**	**(158)**	**(1,752)**	**(1,584)**	**(158)**	**(1,742)**
Carrying amount						
At 31 December	**—**	**—**	**—**	**10**	**—**	**10**

16. TRADE AND OTHER PAYABLES

	2023	2022
	SAR'000	SAR'000
Trade and other payables (amortised cost)		
Amounts due to other MS Group undertakings	4,471	13,930
Witholding and value added tax liabilities	4,445	3,190
Other amounts payable	383	—
Trade and other payables (amortised cost)	**9,299**	**17,120**

17. DEBT AND OTHER BORROWINGS

	2023	2022
	SAR'000	SAR'000
Debt and other borrowings (amortised cost)		
Other borrowings from other MS group undertakings	**225,956**	**216,077**

The balance in debt and other borrowing represents funding the Company receives from MS Group treasury to fund collateral margin requirements and rejected trades. The average rate of interest paid on these borrowings were 6.65 % p.a.

18. PROVISIONS

The following table sets out the provisions recognised under IAS 37:

	2023 Tax provision SAR'000	2022 Tax provision SAR'000
Cost		
At 1 January	—	27
At 31 December	**—**	**27**

Tax related provisions

The Company is subject to tax laws which are subject to different interpretations by the taxpayer and the ZATCA. Management makes judgements and interpretations about the application of these tax laws when determining the provision for taxes. Disputes over interpretations of the tax laws may be settled with the taxing authority upon examination or audit. The Company periodically evaluates the likelihood of assessments resulting from current and subsequent years' examinations. Provisions related to potential losses that may arise from tax audits are established in accordance with the guidance on accounting for uncertain tax items. The Company has established provisions that it believes are adequate in relation to the potential for additional assessments. Whilst a range of outcomes is foreseeable, management considers the amount of the provision to be a reasonable estimate of expected future liabilities after consideration of all pertinent facts, based on the status of inquiries at the balance sheet date. The tax provision as at 31 December 2023 is SAR Nil (2022: SAR 27,000). During the year, The Appeal Committee for Tax Violations and Disputes ("ACTVDR") issued its ruling and rejected the Company's appeal for 2017 tax assessment. The ACTVDR ruling is considered final and cannot be appealed before any other body in the KSA. Total additional liability of SAR 642,000 was settled during 2022 to benefit from the tax amnesty and therefore exempting it from the full late payment penalty resulting from the original tax due. This has subsequently been released following the final ruling from the ACTVDR (see note 19).

19. CURRENT TAX ASSETS AND LIABILITIES

The following table shows the breakdown of current tax assets:

	2023 SAR'000	2022 SAR'000
Income tax recoverable	—	642
Total current tax assets	**—**	**642**

19. CURRENT TAX ASSETS AND LIABILITIES (CONTINUED)

The movement in the current tax liabilities are as follows:

	2023 SAR'000	2022 SAR'000
At 1 January	820	2,919
Charge		
Current year	4,828	3,384
Payments during the year		
Current year	(2,542)	(2,564)
Prior year	(820)	(2,919)
At 31 December	**2,286**	**820**

20. OTHER LIABILITIES

	2023 SAR'000	2022 SAR'000
Employees' compensation accruals	11,084	9,424
Accrued expenses	3,092	5,754
Accrued Director's remuneration	500	665
Total other liabilities	**14,676**	**15,843**

21. LEASES

The Company's leases are a real estate lease and other lease. The Company has made the election to include the non-lease component when computing the ROU asset and lease liability.

Extension and termination options

Certain real estate leases contain extension and termination options to provide additional operational flexibility. Extension and termination options that are at the option of the lessee are included in the assessment of the lease term where the extensions are considered reasonably certain of being exercised or where termination options are considered reasonably certain not to be exercised. Where the option is controlled by the lessor, the lease term assumes that extension options will be exercised and that termination options will not be exercised.

Lessee disclosures

'Right of use assets' (see note 13) and 'Lease liabilities' (see note 25 (b)) have been recorded as separate line items in the statement of financial position.

The income statement includes depreciation of ROU assets within 'Other expense' (see note 6) and interest expense on lease liabilities within 'Interest expense' (see note 5).

The total cash outflow relating to leases was SAR 6,150,000 during the year (2022: SAR 6,450,000).

21. LEASES (CONTINUED)

Maturity analysis of lease liabilities

The following table represents lease liabilities analysed according to their earliest contractual maturity.

31 December 2023 (undiscounted lease payments)	On demand	Less than 1 month	Equal to or more than 1 month but less than 3 months	Equal to or more than 3 months but less than 1 year	Equal to or more than 1 year but less than 5 years	Equal to or more than 5 years	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Lease liabilities	—	6,150	—	—	10,800	—	16,950

31 December 2022 (undiscounted lease payments)	On demand	Less than 1 month	Equal to or more than 1 month but less than 3 months	Equal to or more than 3 months but less than 1 year	Equal to or more than 1 year but less than 5 years	Equal to or more than 5 years	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Lease liabilities	—	6,450	—	—	16,800	—	23,250

22. SHARE CAPITAL

The share capital of the Company amounting to SAR 245,500,000 (2022: SAR 245,500,000), is divided into 24,550,000 (2022: 24,550,000) shares of SAR 10 each (2022: SAR 10 each). The Company is 100% owned by foreign shareholders.

23. STATUTORY RESERVE

In accordance with the Companies Law of Saudi Arabia, the Company has established a statutory reserve by setting aside 10% of its net income per annum until the reserve equals to 30% of the share capital. During the year ended 31 December 2023, the Company added SAR 905,000 to the statutory reserve of the Company (2022: 782,000).

24. CAPITAL CONTRIBUTION

During 2023, the capital contribution was SAR nil (2022: SAR 38,000,000).

25. ADDITIONAL CASH FLOW INFORMATION

a. Reconciliation of cash flow from operating activities

	Notes	2023 SAR'000	2022 SAR'000
Profit for the year		9,050	7,820
Adjustments for:			
Net impairment loss/(reversal) on financial instruments	7	701	(17)
Amortisation of intangible assets	15	10	23
Depreciation on right of use assets	13	5,987	6,414
Depreciation on property and equipment	14	1,877	822
Movement in provisions, net	18	(27)	—
Difference between employee benefit obligation contributions paid and amounts recognised in the income statement	31	1,252	1,185
Interest income	5	(22,154)	(5,041)
Interest expense	5	15,408	7,763
Income tax expense	8	4,877	3,405
Operating cash flows before changes in operating assets and liabilities		**16,981**	**22,374**
Changes in operating assets and liabilities:			
(Increase) in trade and other receivables		(27,436)	(108,538)
Decrease/ (increase) in other operating assets		16,091	(20,052)
(Decrease)/ increase in trade and other payables		(7,821)	3,757
(Decrease)/ increase in other operating liabilities		(1,167)	3,115
Interest received		21,448	2,561
Interest paid		(15,083)	(7,763)
Income taxes paid		(3,362)	(5,483)
Net cash flow used in operating activities		**(349)**	**(110,029)**

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25. ADDITIONAL CASH FLOW INFORMATION (CONTINUED)

b. Reconciliation of liabilities arising from financing activities

	Balance at 1 January 2023	Cash flow	Interest	New Lease	Other	Balance at 31 December 2023
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Debt and other borrowings	216,077	(5,204)	15,083	—	—	225,956
Lease liabilities	23,215	(6,150)	325	—	(879)	16,511
Total liabilities from financing activities	**239,292**	**(11,354)**	**15,408**	**—**	**(879)**	**242,467**

	Balance at 1 January 2022	Cash flow	Interest	New Lease	Other	Balance at 31 December 2022
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Debt and other borrowings	41,483	166,901	7,693	—	—	216,077
Lease liabilities	7,537	(6,450)	70	22,050	8	23,215
Total liabilities from financing activities	**49,020**	**160,451**	**7,763**	**22,050**	**8**	**239,292**

26. EXPECTED MATURITY OF ASSETS AND LIABILITIES

	At 31 December 2023			At 31 December 2022		
	Less than or equal to twelve months	More than twelve months	Total	Less than or equal to twelve months	More than twelve months	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
ASSETS						
Cash and demand deposits	550,667	—	550,667	552,217	—	552,217
Trade and other receivables	161,190	—	161,190	133,997	—	133,997
Current tax assets	—	—	—	642	—	642
Deferred tax assets	—	4,096	4,096	—	3,690	3,690
Other assets	8,105	—	8,105	24,012	—	24,012
Right of use assets	2,516	13,885	16,401	—	23,182	23,182
Property and equipment	6,518	2,458	8,976	—	5,923	5,923
Intangible assets	—	—	—	10	—	10
TOTAL ASSETS	**728,996**	**20,439**	**749,435**	**710,878**	**32,795**	**743,673**
LIABILITIES						
Trade and other payables	8,036	1,263	9,299	16,102	1,018	17,120
Debt and other borrowings	—	225,956	225,956	—	216,077	216,077
Provisions	—	—	—	27	—	27
Current tax liabilities	2,286	—	2,286	820	—	820
Other liabilities	14,374	302	14,676	15,631	212	15,843
Lease liabilities	6,150	10,361	16,511	6,145	17,070	23,215
Post-employment benefit obligations	—	10,262	10,262	—	9,838	9,838
TOTAL LIABILITIES	**30,846**	**248,144**	**278,990**	**38,725**	**244,215**	**282,940**

27. FINANCIAL RISK MANAGEMENT

Risk management procedures

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities in accordance with defined policies and procedures. The Company has developed its own risk management policy framework, which is consistent with and leverages the risk management policies and procedures of the MS Group and which include escalation to the Company's Board of Directors and to appropriate senior management personnel of the Company.

Significant risks faced by the Company resulting from its business activities are set out below.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. The Company's credit exposures can be categorised as:

- Risk against placement with the banks and clearing agencies;
- Risk against corporates and amounts due from MS Group undertakings;
- Risk against past due items;
- Risk against tangible/ROU assets; and
- Risk against deferred expenditure/accrued income.

27.1.1 Credit risk management

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the MS Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

The Company enters into the majority of its financial asset transactions with other MS Group undertakings, and both the Company and the other MS Group undertakings are wholly owned subsidiaries of the same ultimate parent entity, Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company is considered exposed to the credit risk of Morgan Stanley, except where the Company transacts with other MS Group undertakings that have a higher credit rating to that of Morgan Stanley.

27.1.2 Exposure to credit risk

The maximum exposure to credit risk ("gross credit exposure") of the Company as at 31 December 2023 is disclosed below, based on the carrying amounts of the financial assets and the maximum amount that the Company could have to pay in relation to unrecognised financial instruments, which the Company believes are subject to credit risk. The table below includes financial instruments subject to ECL which are distinguished from those that are not. The Company has not entered into any credit enhancements to manage its exposure to credit risk. The Company does not have any significant exposure arising from items not recognised on the statement of financial position.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk (continued)

27.1.2 Exposure to credit risk (continued)

Class	2023 SAR'000 Gross credit exposure	2022 SAR'000 Gross credit exposure
Subject to ECL:		
Cash and demand deposits	550,667	552,217
Trade and other receivables	161,190	133,997
Other assets	8,105	24,012
	719,962	**710,226**

27.1.3 Credit quality

Exposure to credit risk by internal rating grades

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies:

Investment grade: AAA - BBB
Non-investment grade: BB - CCC
Default: D

The table below shows gross carrying amount and, in the case of unrecognised financial instruments, nominal amounts by internal rating grade. All exposures subject to ECL are Stage 1, unless otherwise shown.

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk (continued)

27.1.3 Credit quality (continued)

31 December 2023	ECL staging			
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Cash and demand deposits:				
Credit grade				
Investment grade	550,667	—	—	550,667
Carrying amount	**550,667**	**—**	**—**	**550,667**
Trade and other receivables:				
Credit grade				
Investment grade	130,523	—	—	130,523
Unrated	—	30,667	243	30,910
Gross carrying amount	130,523	30,667	243	161,433
Loss allowance	—	—	(243)	(243)
Carrying amount	**130,523**	**30,667**	**—**	**161,190**
Other assets:				
Credit grade				
Investment grade	—	—	—	—
Unrated	—	7,808	826	8,634
Gross carrying amount	—	7,808	826	8,634
Loss allowance	—	—	(529)	(529)
Carrying amount	**—**	**7,808**	**297**	**8,105**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk (continued)

27.1.3 Credit quality (continued)

31 December 2022	ECL staging			
	Stage 1 12-month ECL SAR'000	Stage 2 Lifetime ECL SAR'000	Stage 3 Lifetime ECL SAR'000	Total SAR'000
Cash and demand deposits:				
Credit grade				
Investment grade	552,217	—	—	552,217
Carrying amount	**552,217**	**—**	**—**	**552,217**
Trade and other receivables:				
Credit grade				
Investment grade	111,861	412	—	112,273
Unrated	—	21,724	—	21,724
Gross carrying amount	111,861	22,136	—	133,997
Loss allowance				
Carrying amount	**111,861**	**22,136**	**—**	**133,997**
Other assets:				
Credit grade				
Investment grade	—	18,584	—	18,584
Unrated	—	5,255	244	5,499
Gross carrying amount	—	23,839	244	24,083
Loss allowance	—	—	(71)	(71)
Carrying amount	**—**	**23,839**	**173**	**24,012**

27.1.4 Expected credit loss allowance

There have been no changes made to estimation techniques or significant assumptions for estimating impairment during the year. There were no modifications to financial assets during the year or since origination and therefore modifications have not impacted ECL staging.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2023 was SAR nil (31 December 2022: SAR nil). The Company still seeks to recover in full amounts it is legally owed, but which have been written off due to there being no reasonable expectation of full recovery.

NOTES TO THE FINANCIAL STATEMENTS
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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk (continued)

27.1.4 Expected credit loss allowance (continued)

	2023			2022		
	Gross carrying/ nominal amount	Allowance for ECL	Net carrying/ nominal amount	Gross carrying/ nominal amount	Allowance for ECL	Net carrying/ nominal amount
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Trade and other receivables	161,190	—	161,190	133,997	—	133,997
Other assets	8,634	(529)	8,105	24,083	(71)	24,012
Total gross carrying amount on balance sheet	**169,824**	**(529)**	**169,295**	**158,080**	**(71)**	**158,009**

Risk Mitigation

The Company's credit exposure mainly comprises of amounts due from MS Group undertakings, placements with banks and clearing agencies and receivables in lieu of fee and commission and reimbursement of project expenses. The Company's placements with banks and clearing agencies are with reputed banks and hence the credit risk is limited. The credit risk with respect to intercompany receivables is not significant since the related party receivables are from affiliates which are financially stable. The Company therefore does not consider any risk of default on due from related party balances.

27.2 Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company's ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company's viability as a going concern. Liquidity risk also encompasses the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding. Generally, the Company incurs liquidity risk as a result of its trading, investing and client facilitation activities.

The MS Group's Liquidity Risk Management Framework is critical to helping ensure that the Company maintains sufficient liquidity resources and durable funding sources to meet its daily obligations and to withstand unanticipated stress events. The Liquidity Risk Department is a distinct area in Risk Management, which oversees and monitors liquidity risk. The Liquidity Risk Department ensures transparency of material liquidity risks, compliance with established risk limits and escalation of risk concentrations to appropriate senior management. To execute these responsibilities, the Liquidity Risk Department:

- Establishes limits in line with the MS Group's risk appetite;
- Identifies and analyses emerging liquidity risks to ensure such risks are appropriately mitigated;
- Monitors and reports risk exposures against metrics and limits, and;
- Reviews the methodologies and assumptions underpinning the MS Group's Liquidity Stress Tests to ensure sufficient liquidity and funding under a range of adverse scenarios.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Liquidity risk (continued)

The liquidity risks identified by these processes are summarised in reports produced by the Liquidity Risk Department that are circulated to and discussed with the Europe, Middle East & Africa "(EMEA)" Assets/ Liability Management Committee ("ALCO"), EMEA Risk Committee and the Morgan Stanley International Risk Committee as appropriate.

The Treasury Department and applicable business units have primary responsibility for evaluating, monitoring and controlling the liquidity risks arising from the MS Group's business activities, and for maintaining processes and controls to manage the key risks inherent in their respective areas. The Liquidity Risk Department coordinates with the Treasury Department and these business units to help ensure a consistent and comprehensive framework for managing liquidity risk across the MS Group.

The primary goal of the Company's liquidity risk and funding management framework is to ensure that the Company has access to adequate funding across a wide range of market conditions and time horizons. The framework is designed to enable the Company to fulfil its financial obligations and support the execution of its business strategies.

The Company's liquidity risk management policies and procedures are materially consistent with those of MS Group.

The following principles guide the MS Group's and the Company's liquidity risk management framework:

- Sufficient liquid assets should be maintained to cover maturing liabilities and other planned and contingent outflows;
- Maturity profile of assets and liabilities should be aligned, with limited reliance on short-term funding;
- Source, counterparty, currency, region, and term of funding should be diversified; and
- Liquidity Stress Tests should account for stressed liquidity requirements and the amount of liquidity held should be greater than those stressed requirements

The core components of the MS Group's liquidity risk management framework, which includes consideration of the liquidity risk for each individual legal entity, are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Resources (as defined below), which support the MS Group's target liquidity profile.

27.2.1 Required Liquidity Framework

The Required Liquidity Framework establishes the amount of liquidity the MS Group must hold in both normal and stressed environments to ensure that its financial condition and overall soundness is not adversely affected by an inability (or perceived inability) to meet its financial obligations in a timely manner. The Required Liquidity Framework considers the most constraining liquidity requirement to satisfy all regulatory and internal limits at a consolidated and legal entity level.

The Company is required to manage its liquidity risk in accordance with the provisions set out in Part 5 and Article 114 of the CMA Prudential Regulations.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Liquidity risk (continued)

27.2.2 Liquidity Stress Tests

The MS Group uses Liquidity Stress Tests to model external and intercompany liquidity flows across multiple scenarios and a range of time horizons. These scenarios contain various combinations of idiosyncratic and market stress events of different severity and duration. The methodology, implementation, production and analysis of the MS Group Liquidity Stress Tests are important components of the Required Liquidity Framework.

The Liquidity Stress Tests are produced for Morgan Stanley and its major operating subsidiaries, as well as at major currency levels, to capture specific cash requirements and cash availability at various legal entities. The Liquidity Stress Tests assume that subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from Morgan Stanley. It is also assumed that Morgan Stanley will support its subsidiaries and will not have access to cash that may be held at certain subsidiaries. In addition to the assumptions underpinning the Liquidity Stress Tests, the MS Group takes into consideration settlement risk related to intra-day settlement and clearing of securities and financial activities.

The Company is not considered a major operating subsidiary for the purposes of liquidity risk. However, the Company would have access to the cash or liquidity reserves held by Morgan Stanley in the unlikely event they were unable to access adequate financing to service their financial liabilities when they become payable.

The Company updates the stress testing assumptions on a semi-annual basis. These are reviewed by the Company's CEO, the Audit Committee and approved by the Company's Board on an annual basis.

27.2.3 Liquidity Resources

The MS Group maintains sufficient liquidity resources which consists of unencumbered highly liquid securities and cash deposits with banks (including central banks) ("Liquidity Resources") to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The amount of Liquidity Resources within the MS Group is based on the MS Group's risk appetite and is calibrated to meet various internal and regulatory requirements and to fund prospective business activities. Unencumbered highly liquid securities consist of netted trading assets, investment securities and securities received as collateral.

The MS Group's Liquidity Resources to which the Company has access, are held within Morgan Stanley and its major operating subsidiaries and are composed of diversified cash and cash equivalents and unencumbered highly liquid securities.

27.2.4 Funding management policies

The MS Group manages its funding in a manner that reduces the risk of disruption to the MS Group's and the Company's operations. The MS Group pursues a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempts to ensure that the tenor of the MS Group's, and the Company's liabilities equals or exceeds the expected holding period of the assets being financed.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Liquidity risk (continued)

27.2.4 Funding management policies (continued)

The MS Group funds its balance sheet on a global basis through diverse sources which includes consideration of the funding risk of each legal entity. These sources include the MS Group's equity capital, long term borrowing, securities sold under agreements to repurchase ("repurchase agreements"), securities lending deposits, letters of credit and lines of credit. The MS Group has active financing programmes for both standard and structured products targeting global investors and currencies.

27.2.5 Maturity analysis

In the following maturity analysis, amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 31 December 2023 and 31 December 2022. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

31 December 2023	On demand SAR'000	Less than 1 month SAR'000	Between 1 to 3 months (inclusive) SAR'000	Between 3 to 12 months (inclusive) SAR'000	Between 1 to 5 years (inclusive) SAR'000	Equal to or more than 5 years SAR'000	Total SAR'000
Financial assets							
Cash and demand deposits	145,668	—	404,999	—	—	—	550,667
Trade and other receivables	130,523	386	30,468	(187)	—	—	161,190
Other assets	—	—	5,406	2,699	—	—	8,105
Total financial assets	**276,191**	**386**	**440,873**	**2,512**	**—**	**—**	**719,962**
Financial liabilities							
Trade and other payables	2,713	5,323	—	—	1,263	—	9,299
Debt and other borrowings	—	—	—	—	225,956	—	225,956
Total financial liabilities	**2,713**	**5,323**	**—**	**—**	**227,219**	**—**	**235,255**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 Liquidity risk (continued)

27.2.5 Maturity analysis (continued)

31 December 2022	On demand SAR'000	Less than 1 month SAR'000	Between 1 to 3 months (inclusive) SAR'000	Between 3 to 12 months (inclusive) SAR'000	Between 1 to 5 years (inclusive) SAR'000	Equal to or more than 5 years SAR'000	Total SAR'000
Financial assets							
Cash and demand deposits	177,057	—	375,160	—	—	—	552,217
Trade and other receivables	112,655	465	20,876	—	—	—	133,997
Other assets	—	—	23,585	427	—	—	24,012
Total financial assets	**289,713**	**465**	**419,621**	**427**	**—**	**—**	**710,226**
Financial liabilities							
Trade and other payables	12,382	3,720	—	—	1,018	—	17,120
Debt and other borrowings	—	—	—	—	216,077	—	216,077
Total financial liabilities	**12,382**	**3,720**	**—**	**—**	**217,095**	**—**	**233,197**

27.3 Market risk

Market risk is defined by IFRS 7 'Financial instruments – Disclosures' ("IFRS 7") as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Company manages the market risk associated with its trading activities at a legal entity, trading division and at an individual products level.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

The Company is exposed to the following types of market risk under this definition: interest rate risk and currency risk.

Interest rate risk

Interest rate risk is defined by IFRS 7 'Financial instruments: Disclosures' as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk under the definition as a result of changes in interest rates affecting the fair value or future cash flows of its assets and liabilities. The Company's investments and funding are predominantly fixed interest rate and the related assets and liabilities are held at amortised cost. As such, the fair value exposure to interest rate movements is not material and an interest rate sensitivity analysis has not been presented.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3 Market risk (continued)

Currency risk

Currency risk is the sensitivity of financial products to changes in spot foreign exchange rates. The Company has foreign currency exposure arising from non-SAR denominated cross border transactions. The majority of this foreign currency risk has been hedged by other members of the MS Group, primarily Morgan Stanley, by utilising both forward foreign currency exchange contracts and non-US dollar denominated debt.

The Company uses the CMA-approved framework for the calculation of the capital requirement for currency risk based on the Net Open Position ("NOP") of currencies to cover the Company operations that are not related to trading book. As the Company has limited exposure outside the Gulf Cooperation Council currencies which are already pegged to the US Dollar, volatility levels are not significant.

28. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value.

29. CAPITAL MANAGEMENT AND REGULATORY REQUIREMENTS

The MS Group manages its capital on a global basis with consideration for its legal entities. The capital managed by the MS Group broadly includes ordinary share capital, preference share capital, subordinated loans and reserves.

The MS Group's required capital ("Required Capital") estimation is based on the Required Capital Framework, an internal capital adequacy measure. This framework is a risk-based and leverage-based use-of-capital measure, which is compared with the MS Group's regulatory capital to ensure that the MS Group maintains an amount of going concern capital after absorbing potential losses from stress events where applicable, at a point in time. The MS Group defines the difference between its total average common equity and the sum of the average common equity amounts allocated to our business segments as Parent Company common equity. The MS Group generally holds Parent Company common equity for prospective regulatory requirements, organic growth, potential future acquisitions and other capital needs.

The Required Capital Framework is expected to evolve over time in response to changes in the business and regulatory environment, for example, to incorporate stress testing or enhancements in modelling techniques. The MS Group will continue to evaluate the framework with respect to the impact of future regulatory requirements, as appropriate.

The MS Group manages its consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines. In the future, the MS Group may adjust its capital base in reaction to the changing needs of its businesses.

The Company views capital as an important source of financial strength. It manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements.

29. CAPITAL MANAGEMENT AND REGULATORY REQUIREMENTS (CONTINUED)

The MS Group also aims to adequately capitalise at a legal entity level whilst safeguarding that entity's ability to continue as a going concern and ensuring that it meets all regulatory capital requirements, so that it can continue to provide returns for the MS Group.

In order to maintain or adjust the capital structure as described above, the Company may adjust the amount of dividends paid, return capital to shareholders or issue new shares.

The Company is regulated by the CMA and as such is subject to minimum capital requirements. The Company's capital is monitored on an ongoing basis to ensure compliance with these requirements. At a minimum, the Company must ensure that Capital Resources (share capital, audited profit and loss and eligible reserves) are greater than the Capital Resource Requirement including credit, market and operational risk.

The Company complied with all of its regulatory capital requirements during the year.

The Company manages the following items as capital:

	2023	2022
	SAR'000	SAR'000
Ordinary share capital	245,500	245,500
Statutory reserve	21,187	20,282
Retained earnings	203,758	194,951
Total	**470,445**	**460,733**

30. EMPLOYEE COMPENSATION PLANS

Morgan Stanley maintains various equity-settled share-based and cash-based deferred compensation plans for the benefit of employees. Awards under these plans are generally granted in January following the performance year.

Equity-settled share-based compensation plans

Morgan Stanley has granted RSU awards pursuant to several equity-based compensation plans. The plans provide for the deferral of a portion of certain current and former employees' incentive compensation, with awards made in the form of restricted common stock. Awards under these plans are generally subject to vesting over time, generally one to seven years, and are generally contingent upon continued employment and subject to restrictions on sale, transfer or assignment until conversion to common stock. All, or a portion of, an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. Recipients of RSU awards may have voting rights, at Morgan Stanley's discretion, and generally receive dividend equivalents if the awards vest, unless this is prohibited by regulation.

During the year, Morgan Stanley granted 3,399 units (2022: 3,277 units) of RSU to employees of the Company with a weighted average fair value per unit of $96.99 (2022: $100.00), based on the market value of Morgan Stanley common stock at grant date.

30. EMPLOYEE COMPENSATION PLANS (CONTINUED)

Equity-settled share-based compensation plans (continued)

The equity-based compensation expense recognised in the year is SAR 1,161,000 (2022: SAR 913,000). The Company has entered into a chargeback agreement with Morgan Stanley under which it is committed to pay to Morgan Stanley the grant date fair value of the awards granted to employees.

The related liability due to Morgan Stanley at the end of the year, reported within ‘Other payables’ in the statement of financial position, is SAR 2,163,000 (2022: SAR 1,471,000), of which SAR 900,000 (2022: SAR 452,000) is expected to be settled wholly within one year, and SAR 1,263,000 (2022: SAR 1,018,000) thereafter.

Deferred cash-based compensation plans

Morgan Stanley has granted deferred cash-based compensation awards to certain employees which defer a portion of the employees’ discretionary compensation. The plans generally provide a return based upon the performance of various referenced investments. Awards under these plans are generally subject to a sole vesting condition of service over time, which normally ranges from one to three years from the grant date. All or a portion of an award may be forfeited if employment is terminated before the end of the relevant vesting period or cancelled after the vesting period in certain situations. The awards are settled in cash at the end of the relevant vesting period.

The deferred cash-based compensation expense recognised in the year is SAR 234,000 (2022: SAR 116,000). Awards with a value of SAR 186,000 (2022: SAR 205,000) have been granted to employees of the Company during the year.

The liability to employees at the end of the year, reported within ‘Other liabilities’ in the statement of financial position, is SAR 440,000 (2022: SAR 318,000), of which SAR 138,000 (2022: SAR 106,000) is expected to be settled wholly within one year and SAR 302,000 (2022: 212,000) thereafter.

31. POST-EMPLOYMENT BENEFITS

Defined benefit plan

The Company operates an End of Service Gratuity Scheme (the “plan”). Employees who complete continuous employment of one year or more are entitled to the gratuity payment at the termination of their employment.

Eligible employees receive a lump sum when they leave the Company based on their final salary and number of years’ service.

The plan is unfunded as no assets are allocated to cover the Company’s liabilities. When payments are required to be made, the Company pays a contribution to the scheme equal to the benefit to be paid. The scheme exposes the Company to risks including salary and staff turnover risk.

An actuarial valuation of the plan is carried out annually on an accounting basis by a qualified actuary. Under the accounting basis, the obligations are measured by discounting the best estimate of future cash flows, to be paid out by the plan using the projected unit credit method.

The weighted average duration of the defined benefit obligation at 31 December 2023 is 7.39 years (2022: 8.79 years).

31. POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table provides a summary of the present value of the defined benefit obligation included in the statement of financial position:

Movement in the net defined benefit obligation

	Present value of obligation 2023 SAR '000	Present value of obligation 2022 SAR '000
At 1 January	9,838	9,599
Current service cost	1,169	1,143
Net interest expense	471	250
Amounts recognised in the income statement	**1,640**	**1,393**
Remeasurements:		
Actuarial (loss) arising from changes in financial assumptions	(698)	(2,308)
Actuarial (loss)/ gain arising from experience adjustments	(130)	1,362
Amounts (gross) recognised in the statement of comprehensive income	**(828)**	**(946)**
Benefit Payments	(388)	(208)
At 31 December	**10,262**	**9,838**

The net defined benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the valuation date, and the service cost is the total present value of the individuals' benefits attributable to service during the year.

Based on actuarial demographic assumptions, the Company would expect to contribute SAR 972,000 (2022: SAR 832,000) to the plan in the next financial year.

The following table presents the principal weighted average actuarial assumptions at the end of the reporting period:

	2023	2022 %
Discount rate	4.8%	5.0%
Rate of increase in salaries	3.0%	4.0%

Given there is no deep market in corporate bonds within the KSA, the US AA-rated corporate bond market has been used as a proxy for determining an appropriate discount rate. Salary increase rates are projected by the Company in line with future expectations.

31. POST-EMPLOYMENT BENEFITS (CONTINUED)

The following demographic assumptions for mortality, withdrawal and retirement were applied:

	Percentage of male employees exiting the plan at each age (per annum)		Percentage of female employees exiting the plan at each age (per annum)	
Age	**2023**	**2022**	**2023**	**2022**
15-29	20%	20%	20%	20%
30-34	15%	15%	15%	15%
35-39	10%	10%	10%	10%
40-44	5%	5%	5%	5%
45-49	5%	5%	5%	5%
50-54	7%	7%	7%	7%
55-59	7%	7%	100%	100%

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are as follows:

2023

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/ decrease by 0.50%	Decrease/ increase by 3.4%/ 3.7%
Salary growth rate	Increase/ decrease by 0.50%	Increase/ decrease by 3.8%/ 3.5%

2022

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/ decrease by 0.50%	Decrease/ increase by 3.8%/ 4.1%
Salary growth rate	Increase/ decrease by 0.50%	Increase/ decrease by 4.1%/ 3.8%

The sensitivity analysis presented above has been determined based on reasonably possible changes of the assumptions occurring at 31 December 2023 and 31 December 2022 assuming that all other assumptions are held constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

32. RELATED PARTY DISCLOSURES

Parent and affiliates relationships

Parent and ultimate controlling entity

The Company's immediate parent undertaking is Morgan Stanley Middle East Inc., which is incorporated in the State of Delaware, the United States of America.

32. RELATED PARTY DISCLOSURES (CONTINUED)

The ultimate parent undertaking and controlling entity and the largest group of which the Company is a member and for which group financial statements are prepared is Morgan Stanley. Morgan Stanley has its registered office c/o The Corporation Trust Company, the Corporation Trust Center, 1209 Orange Street, Wilmington, DE, 19801, United States of America and is incorporated in the state of Delaware, the United States of America. Copies of its financial statements can be obtained from www.morganstanley.com/investorrelations.

Key management compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors of Morgan Stanley Saudi Arabia, members of the regional Management Committee and key business unit management.

Key management personnel compensation, in respect of their services rendered to the Company comprised the following:

	2023 SAR'000	2022 SAR'000
Short-term employee benefits	25,956	24,809
Post-employment benefits	1,042	260
Share-based payments	6,318	6,133
Other long-term employee benefits	671	232
Total	**33,987**	**31,434**

The share-based payment costs disclosed above reflect the amortisation of equity-based awards granted to key management personnel and are therefore not directly aligned with other staff costs in the current year.

Key management personnel compensation is borne directly by the Company as well as other MS Group undertakings in both the current and prior years.

Transactions with related parties

The MS Group conducts business for clients globally through a combination of both functional and legal entity organisational structures. Accordingly, the Company is closely integrated with the operations of the MS Group and enters into transactions with other MS Group undertakings on an arm's length basis for the purposes of utilising financing, trading and risk management, and infrastructure services. The nature of these relationships along with information about the transactions and outstanding balances is given below. Settlement of the outstanding balances will be made in cash/via inter-company mechanisms. The Company has not recognised any expense and has made no provision for impairment to the amount of the outstanding balances from related parties (2022: SAR nil).

In addition, the management and execution of business strategies on a global basis results in many Morgan Stanley transactions impacting a number of MS Group undertakings. The MS Group operates a number of intra-group policies to ensure that, where possible, revenues and related costs are matched.

32. RELATED PARTY DISCLOSURES (CONTINUED)

General funding

General funding is undated, unsecured, floating rate lending, other than certain funding which is dated on a rolling 395 day term. Funding may be received or provided for specific transaction related funding requirements, or for general operational purposes. The interest rates are established by the MS Group Treasury function for all entities within the MS Group and approximate the market rate of interest that the MS Group incurs in funding its business.

Details of the outstanding balances on these funding arrangements and the related interest expense recognized in the income statement during the year are shown in the table below:

	2023		2022	
	Interest SAR'000	Balance SAR'000	Interest SAR'000	Balance SAR'000
Amounts due to other MS Group undertakings	15,083	225,956	7,693	216,077

Infrastructure services

The Company receives and incurs management charges to and from other MS Group undertakings for infrastructure services, including the provision of staff and office facilities. Management recharges received and incurred during the year are as follows:

	2023 SAR'000	2022 SAR'000
Amounts recharged to other MS Group undertakings	1,263	246
Amounts recharged from other MS Group undertakings	(37,003)	(32,431)
	(35,740)	**(32,185)**

Fees and commissions

The Company earns fee and commission income from other MS Group undertakings for value added services which include sales and marketing support and consultancy. Fees and commissions received during the year from other MS Group undertakings are SAR 55,887,000 (2022: SAR 47,307,000).

33. CONTINGENT LIABILITIES

The Company has an arrangement with a local bank as a clearing agent to settle brokerage transactions with Tadawul. The bank has given a guarantee to Tadawul to settle all the transactions entered into by the Company. On the request of the bank, the Company must submit an order note and counter guarantee agreeing not to perform any transactions exceeding the available limit agreed with the bank.

As at 31 December 2023, the Company had contingent liabilities with respect to bank guarantees in favour of Tadawul, arising in the ordinary course of business amounting to SAR 303 million (2022: SAR 303 million).

34. ASSETS HELD IN FIDUCIARY CAPACITY

Fiduciary assets comprise investments and funds managed by the Company on behalf of its clients. The market value of the fiduciary assets at 31 December 2023 amounted to SAR 15.2 billion (2022: SAR 10.1 billion).

Fiduciary assets also include clients' cash accounts kept with a local commercial bank as a custodian of the funds, which amount to SAR 1.1 billion as at 31 December 2023 (2022: SAR 188.7 million), to be only used for investments upon clients’ discretion.

Consistent with the local regulatory rules, the above balances are not reported in the Company's financial statements.