

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

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(A Saudi Closed Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2023

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARBAH CAPITAL COMPANY****Report on the Audit of the Consolidated Financial Statements*****Qualified Opinion***

We have audited the consolidated financial statements of Arbah Capital Company (the "Company") and its subsidiary (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Qualified Opinion

As at 31 December 2023, the Group's investment in financial instruments includes investments in shares of certain foreign companies with a net book value of SR 22.10 million, which includes an unrealized loss of SR 13.5 million. These investments are accounted for at fair value through profit or loss, (note 27 to the consolidated financial statement). We were unable to obtain sufficient appropriate audit evidence about the fair value of these investments as at December 31, 2023 and related unrealized loss amounting to SR 13.5 million. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

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

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ARBAH CAPITAL COMPANY**

Report on the Audit of the Consolidated Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (Continued)

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF ARBAH CAPITAL COMPANY**

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

Baker Tilly MKM & Co.

Certified Public Accountants
Al-Khobar, Kingdom of Saudi Arabia

Bader Hatim Al-Tamimi
License No. 489
21 Ramadan 1445H
31 March 2024



ARBAH CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 SR	2022 SR
ASSETS			
Cash and cash equivalents		10,115,930	19,427,619
Investment in financial instruments	4	68,177,443	84,664,893
Accounts receivable and other assets	5	5,404,873	8,826,243
Due from related parties	6	19,199,442	14,089,804
Prepayments	7	811,565	816,477
Right-of-use assets	8	1,746,074	2,244,952
Properties for development	9	19,093,000	39,102,750
Investment property	10	42,299,263	39,977,781
Property and equipment	11	2,096,307	2,346,422
Intangible assets	12	41,938	49,607
TOTAL ASSETS		168,985,835	211,546,548
LIABILITIES AND EQUITY			
LIABILITIES			
Lease liability	8	1,884,852	2,300,526
Accounts payable, accruals and other liabilities	13	6,005,351	28,277,778
Bank credit facilities	14	15,750,000	19,598,753
Zakat provision	15	10,638,867	4,309,229
Employees' defined benefit liabilities	16	4,705,663	4,569,972
TOTAL LIABILITIES		38,984,733	59,056,258
EQUITY			
Share capital	17	142,780,000	142,780,000
Statutory reserve	18	5,145,454	5,145,454
(Accumulated losses) / retained earnings		(17,527,302)	4,770,121
Fair value reserve of financial assets at FVOCI	4	(397,050)	(205,285)
TOTAL EQUITY		130,001,102	152,490,290
TOTAL LIABILITIES AND EQUITY		168,985,835	211,546,548

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

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>Note</u>	<u>2023</u> <i>SR</i>	<u>2022</u> <i>SR</i>
Asset management income	19	21,288,436	10,716,598
Investment banking services revenue		5,945,646	10,499,472
Realised gain on financial assets at FVTPL	4	2,284,259	535,372
Unrealised (loss) / gain on financial assets at FVTPL	4	(22,709,135)	2,936,982
Brokerage commission		1,017,896	1,355,248
Dividends income	4	1,211,547	1,447,359
Gain on disposal of properties for development	6,9	4,208,750	-
Rent income	10	3,812,126	-
Advisory fees income		359,783	461,250
Total revenue		17,419,308	27,952,281
EXPENSES			
Employees' cost		(16,597,610)	(16,662,285)
General and administration expenses	20	(10,338,070)	(8,660,645)
Cost of rental income	10, 23	(3,964,791)	-
Marketing expenses		(547,882)	(717,852)
(Loss) / profit from operations		(14,029,045)	1,911,499
Finance costs	21	(2,027,547)	(1,763,176)
Finance income		81,358	87,054
Other income-net	22	152,615	416,555
(Loss) / profit before zakat		(15,822,619)	651,932
Zakat	15	(6,558,887)	(1,823,520)
LOSS FOR THE YEAR		(22,381,506)	(1,171,588)
Other Comprehensive Loss:			
<i>OCI loss that will not be reclassified to profit or loss in subsequent years:</i>			
Remeasurements gain / (loss) on employees' defined benefits liabilities	16	84,083	(270,250)
Net change in fair value of investments classified as fair value through other comprehensive income	4	(191,765)	-
Other comprehensive loss for the year		(107,682)	(270,250)
Total comprehensive loss for the year		(22,489,188)	(1,441,838)
Loss per share			
Basic and diluted loss per share from loss for the year attributable to shareholders' of the Company	24	(1.57)	(0.08)

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

ARBAH CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital SR	Statutory reserve SR	(Accumulated losses) / retained earnings SR	Fair value reserve of financial assets at FVOCI SR	Total equity SR
Balance as at 1 January 2022		142,780,000	5,145,454	23,345,559	(205,285)	171,065,728
Loss for the year		-	-	(1,171,588)	-	(1,171,588)
Other comprehensive loss		-	-	(270,250)	-	(270,250)
Total comprehensive loss		-	-	(1,441,838)	-	(1,441,838)
Dividends	17	-	-	(17,133,600)	-	(17,133,600)
As at 31 December 2022		142,780,000	5,145,454	4,770,121	(205,285)	152,490,290
Loss for the year		-	-	(22,381,506)	-	(22,381,506)
Other comprehensive loss		-	-	84,083	(191,765)	(107,682)
Total comprehensive loss		-	-	(22,297,423)	(191,765)	(22,489,188)
As at 31 December 2023		142,780,000	5,145,454	(17,527,302)	(397,050)	130,001,102

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

ARBAH CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
(Loss) / profit before zakat	(15,822,619)	651,932
Adjustments to reconcile profit before zakat to net cash flows:		
Depreciation of property and equipment	471,901	245,669
Depreciation of right-of-use assets	498,878	524,258
Depreciation of investment property	1,460,797	-
(Gain) / loss on disposal of property and equipment	(3,500)	1,330
Gain on disposal of properties for development	(4,208,750)	-
Amortization of intangible assets	7,669	7,667
Finance costs	2,027,547	1,763,176
Finance income	(81,358)	(87,054)
Unrealised loss / (gain) on financial assets at FVTPL	22,709,135	(2,936,982)
Realised gains on financial assets at FVTPL	(2,284,259)	(535,372)
Reversal of accrued finance cost on bank credit facilities	-	(948,626)
Impairment of accounts receivables and other assets	321,264	-
Reversal of other accrued expenses	(366,301)	(362,684)
Current service cost for employees' defined benefit liabilities	635,143	623,306
	5,365,547	(1,053,380)
Working capital adjustments:		
Proceeds from disposal of properties for development	24,218,500	-
Acquisition of investments in financial assets at FVTPL	(33,721,239)	(69,701,919)
Proceeds from sale of investments in financial assets at FVTPL	29,592,048	72,344,888
Due from related parties	(5,109,638)	391,065
Prepayments	4,912	(115,175)
Accounts receivable and other assets	(600,815)	3,529,108
Accounts payable, accruals and other liabilities	(818,086)	(8,785,465)
Cash flows generated from / (used in) operations	18,931,229	(3,390,878)
Zakat paid	(4,791,513)	(1,170,586)
Employees' defined benefit liabilities paid	(637,977)	(778,906)
Finance cost paid	(1,663,496)	(1,523,021)
Net cash generated from / (used in) operating activities	11,838,243	(6,863,391)
INVESTING ACTIVITIES		
Purchase of property and equipment	(221,786)	(2,085,952)
Proceeds from disposal of property and equipment	3,500	50
Additions to investment property	-	(5,527,286)
Net cash flows used in investing activities	(218,286)	(7,613,188)
FINANCING ACTIVITIES		
Net movement in bank credit facilities	(3,848,753)	12,848,753
Payment of lease liability	(623,700)	(596,849)
Dividend paid	(16,459,193)	-
Net cash (used in) / generated from financing activities	(20,931,646)	12,251,904
Net change in cash and cash equivalents	(9,311,689)	(2,224,675)
Cash and cash equivalents, 1 January	19,427,619	21,652,294
CASH AND CASH EQUIVALENTS, 31 DECEMBER	10,115,930	19,427,619

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Non-cash transactions:		
Accounts payable, accruals and other liabilities transferred to zakat provision (note 13, 15)	4,562,264	-
Accounts receivable and other assets transferred to investment properties (note 5, 10)	3,782,279	-
Dividends declared and not settled	-	17,133,600
Dividends settled with other receivables	-	51,367

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

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 - COMPANY INFORMATION

Arbah Capital Company (the "Company") is a Saudi Closed Joint Stock Company, registered in Khobar, Kingdom of Saudi Arabia under Commercial Registration number 2050059020 dated 4 Rabie Al Awwal 1429H (corresponding to 12 March 2008). The Company is mainly engaged in conducting the securities business under CMA license No. 7083-37 dated 1 Sha'ban 1428H such as dealing in securities, arranging for securities, providing advice in securities and custody in securities. The registered office of the company is situated in (Noura Tower), Building no 6311, Prince Turki Road, Al Kurnaish District, Al Khobar, Kingdom of Saudi Arabia.

The consolidated financial statements comprise of the Company and its subsidiary (collectively referred to as the "Group"). As at 31 December 2023 and 31 December 2022, the Company had investment in the following subsidiary:

Name of the subsidiary	Country of incorporation	Effective Ownership Interest	
		2023	2022
Sorouh Al Arbah Real Estate Company	Saudi Arabia	100	100

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

Basis of preparation

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

Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except where IFRSs as endorsed in KSA requires other measurement basis as disclosed in the accounting policies below.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Saudi Riyal.

Basis of consolidation

The Company is an investment entity, therefore, it holds its investments in subsidiaries at fair value rather than consolidating them. Investments in subsidiaries are classified as fair value through profit or loss in accordance with IFRS 9. The Company only consolidates a subsidiary when the subsidiary does not qualify as an investment entity and the purpose of the subsidiary is to provide services related to the Company's investment activities.

Intercompany transactions, balances and unrealised gains on transactions between the Company and its subsidiary, are eliminated in full upon consolidation.

Presentation of the statement of financial position

The Group presents assets and liabilities in the consolidated financial statements based on liquidity classification where this provides information that is reliable and more relevant since the Group is a financial institution that does not supply goods or services within a clearly identifiable operating cycle. Group presents all assets and liabilities in order of liquidity.

Group disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:

- no more than twelve months after the reporting period, and
- more than twelve months after the reporting period.

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is material to the fair value measurement as a whole) at the end of each reporting period. The policies and procedures for both recurring fair value measurement and for non-recurring measurement are evaluated periodically.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Revenue

The Group recognises revenue from managing mutual funds, providing consultation and safekeeping services for securities business, murabaha income on deposits over the time when service is provided, and dividend income is recognized when the right to receive dividend is established.

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**Revenue (Continued)**

- Assets management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Group's efforts to transfer the services for that year. As asset management fees are not subject to clawback, the management does not expect any material reversal of revenue previously recognised.
- Investment banking services revenue is recognised based on services rendered under the applicable service contracts, and including arrangement fees for investments.
- Revenue from subscription fees is recognised upon subscription to the fund, revenue is recognized at a point of time (subscription time).
- Revenue from Custody fees is recognised based on the applicable management agreements and recognised as they are earned over time. Custody fees is earned on daily basis for an annual percentage of the Net Assets Value (NAV) of the funds managed by the Group.
- Dividends income from investments are recognised when the right to receive dividends is established.
- Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.
- Murabaha income is recognised on an accrual basis. Profit earned on murabaha financing is recognised as unearned income and amortised into the profit and loss account over the term of the Murabaha financing.
- Rent income comprises of revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered. Performance obligations are satisfied over time, and revenue from hotel services is recognized on a daily basis, as the rooms are occupied, and services are rendered to the extent of Group's share in investment property.

Expenses

All the Group's expenses except for cost of rental income, finance costs, marketing expenses, employee's expense are classified as general and administrative expenses in accordance with consistent allocation factors determined as appropriate by the Group.

Zakat and indirect tax***Zakat***

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to profit or loss.

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

ARBAH CAPITAL COMPANY

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)***Zakat (Continued)******Value added tax (VAT)***

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the Zakat, Tax and Customs Authority ("ZATCA"), in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables on consolidated statement of financial position.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Laws.

Foreign currencies***Transactions and balances***

Transactions in foreign currencies are initially recorded by the Group at their respective spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Cash dividend distribution to equity holders

The Group recognises a liability to pay a dividend to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per provisions of Companies' Law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in consolidated statement of changes in equity.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term projects if the recognition criteria are met. When material parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Capital work in progress is not depreciated. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Motor vehicles	4 years
Furniture, fixtures and office equipment	4-10 years
Computers	5 years

An item of property and equipment and any material part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)**Property and equipment (Continued)**

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property and equipment (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item of CWIP intended by management.

Earnings per share

The Group shows basic and diluted earnings per share information for its common stock. Basic earnings per share is calculated by dividing the Group's net profit or loss by the weighted average number of ordinary shares outstanding during the period, and the special shares held. Diluted earnings per share are determined by adjusting the Group's net profit or loss and the weighted average number of ordinary shares outstanding, and special shares held, for the effects of all diluted potential ordinary shares.

Properties for development

Properties for development are initially measured at acquisition cost and subsequently measured and accounted for lower of cost and net realizable value. Properties for development principally consists of projects under progress and land parcels for development and sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost comprises all directly attributable cost including land cost, direct material cost, direct labor costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Impairment is tested comparing with net realizable value, which represents the estimated selling price less all estimated costs to complete and selling costs to be incurred.

The operating cycle of development properties is either the property will be sold within a 12 month period or held for longer period.

Investment property

Investment property is non-current assets held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment property is depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment property is derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Expenses incurred for replacing component of investment property items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment property. All other expenses are recognized in profit or loss when incurred.

ARBAH CAPITAL COMPANY

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)**Investment property (Continued)**

Transfers are made from investment property to properties for development only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognized in profit or loss. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognized in the prior years is recorded when there is an indication that the impairment losses recognized for the investment property no longer exist or have reduced.

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

Building	40 years
Electrical Infrastructure	8 - 15 years
Equipments	10 years
Furniture and fixtures and other Assets	5 years

Leases

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

Group as a lessee

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

Right-of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets is being depreciated on a straight-line basis over the lease term.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

In calculating the present value of lease payments, the Group uses the average borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term and low value assets' leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalisation threshold and are considered to be immaterial for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the profit or loss.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

Impairment of non-financial assets

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

Disclosures for material assumptions Note 3

The Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial instruments - initial recognition, subsequent measurement and derecognition

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

Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a material financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Amounts due from related parties that do not contain a material financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- (i) Financial assets at amortised cost (debt instruments)
- (ii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- (iii) Financial assets at fair value through profit or loss

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments - initial recognition, subsequent measurement and derecognition (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or materially reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Financial assets designated at fair value through OCI

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as in profit or loss when the right of receipt has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**Financial instruments - initial recognition, subsequent measurement and derecognition (continued)****Financial assets (continued)***Derecognition (Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

Disclosures for material assumptions	Note 3
Financial assets	Note 4 and 27

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a material increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a material increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, bank credit facilities, accounts payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of bank credit facilities and accounts payables, net of directly attributable transaction costs.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

The Group's financial liabilities include accounts payable, lease liability, accrued finance cost on borrowings, bank credit facilities and other financial liabilities.

Subsequent measurement

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, interest-bearing bank credit facilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category applies to accounts payable, accruals and other liabilities, lease liability and bank credit facilities.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, which is subject to immaterial risk of change in value. As at 31 December 2023 and 2022, cash and cash equivalents include cash at bank only.

Cash and cash equivalents are subject to impairment testing requirement as per IFRS 9.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)**Employees' benefits***Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position under account payable, accruals and other liabilities.

Employees defined benefit obligation

The Group operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is re-measured by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post employment benefit obligations. In countries where there is no deep market in such bonds, the market rates on government bonds are used. Net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the profit or loss. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through other comprehensive income in the period in which they arise. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the profit or loss as past service costs. In KSA, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor and Workmen Law as well as the Group policy.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2 - BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the consolidated statement of financial position under accounts payable, accruals and other liabilities. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management and policies *Note 27*
- Sensitivity analysis disclosures *Notes 16 and 27*

Judgements

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

- Revenue from contracts with customers

The Group's revenue from contract with customers variable as the contracts are based on variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for rendering its services. The variable consideration is estimated at contract inception and constrained until it is highly probable that a material revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- Consideration of material financing component in a contract

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a material financing component if it expects, at contract inception, that the period between the transfer of the promised service to the customer and when the customer pays for that service will be one year or less. The Group concluded that there is no material financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of services to the customer.

- Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (continued)

- Control of a fund

The Group's acts as a fund manager for certain funds, the Group assess the control over each fund based on variability of returns.

Control over subsidiary

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The Group starts consolidation of the subsidiaries from the date on which control is transferred to the Group. They are de- from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Loss of control over subsidiary

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

- Qualification as an investment entity

Group management has made material judgments when determining that the Company qualifies as an investment entity.

Company has the following characteristics of an investment entity:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties;
- It has ownership in the form of equity or similar interests.

Group's purposes are to invest its capital solely for returns from capital appreciation and investment income. To meet this objective, Group has built a strategy on two pillars: the direct investments and the investment funds. The direct investments are made with a medium to long-term perspective. Each of our pillars has an exit strategy designed by the Board of Directors, who is composed by a majority of independent members and who will take the decision in the best interest of Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (Continued)

- Qualification as an investment entity (Continued)

An essential element of the definition of an investment entity is that it measures and evaluates the performance of substantially all of its investments on a fair value basis, because using fair value results in more relevant information than, for example, consolidating its subsidiary or using the equity method for its interests in associates or joint ventures. In order to demonstrate that it meets this element of the definition, an investment entity:

- (a) provides investors with fair value information and measures substantially all of its investments at fair value in its financial statements whenever fair value is required or permitted in accordance with IFRSs; and
- (b) reports fair value information internally to the entity's key management personnel (as defined in IAS 24), who use fair value as the primary measurement attribute to evaluate the performance of substantially all of its investments and to make investment decisions.

In order to meet these requirements, an investment entity would:

- (a) elect to account for any investment property using the fair value model in IAS 40 Investment Property if permitted to use fair value model by law;
- (b) elect the exemption from applying the equity method in IAS 28 for its investments in associates and joint ventures; and
- (c) measure its financial assets at fair value using the requirements in IFRS 9.

Applying judgment for exception of investment in subsidiary

Group has applied material judgment for applying the exception of consolidation of a subsidiary in an investment Company. As described in IFRS 10, the below circumstances which allows the Company to exercise the exception:

- If an investment entity has a subsidiary that is not itself an investment Company.
- Subsidiary's main purpose and activities are providing services that related to the Group's main investment activities.

- Component parts of investment property

The Group's assets classified within investment property, are depreciated on a straight line basis over the economic useful lives. When determining the economic useful life an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of the component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

- Lease classification

Leases for which the Group is lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Group uses judgement while deciding whether the lease is operating or finance lease.

Estimates and assumptions

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Estimates and assumptions (Continued)

- Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities to which the Group is not yet committed to or material future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- Valuation of defined benefit obligations

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

- Provision for expected credit losses

The Group uses a provision matrix to calculate ECLs for receivables at amortised costs. The provision rates are based on days past due for groupings of customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a material estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For detailed information, please refer note 5.

- Useful lives of property and equipment

Management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, duration of contract with the customer and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

- Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows.

- Fair value of properties for development and investment property

The fair value of properties for development and investment property is determined by real estate valuation experts for disclosure purposes by using valuation techniques and the principles of IFRS 13 Fair Value Measurement. The material methods and assumptions used by valuers in estimating the fair value of properties for development and investment property are set out in note 9 and 10.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****- Estimates and assumptions (Continued)****- Impairment of investment property and properties for development**

An assessment of fair value of investment property and properties for development is carried out at each reporting date by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the asset being valued. In determining the valuation, the valuer used the market valuation methodology or discounted cashflow methodology that are based on material assumptions and estimates. Valuation is considered for impairment testing of investment property and net reliable value testing for properties for development.

- Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a material event or a material change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Group as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment. The Group determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

- Uncertain zakat position

The Group's current zakat payable relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the Zakat, Tax and Customs Authority (ZATCA). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat assessments at a future date, the final outcome may differ significantly. Note 15 describes the status of zakat assessments.

- Useful lives of investment properties

Management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset, duration of contract with the customer and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

4 - INVESTMENT IN FINANCIAL INSTRUMENTS

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		<i>SR</i>	<i>SR</i>
Investments at FVTPL - non current	4.1	61,441,116	78,314,151
Investments at FVTPL - current	4.1	3,931,200	3,353,850
Investments at FVTPL		65,372,316	81,668,001
Investments at FVOCI	4.2	2,805,127	2,996,892
Investment in financial instruments		68,177,443	84,664,893

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****4 - INVESTMENT IN FINANCIAL INSTRUMENTS (Continued)**

4.1 This represents investment in quoted and unquoted investment. All these investments are classified as fair value through profit or loss. A summary of the movements in investments at FVTPL is presented below:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
At 1 January	81,668,001	79,339,731
Addition	33,721,239	69,701,919
Disposals	(29,592,048)	(70,846,003)
Realised gain	2,284,259	535,372
Unrealised (loss) / gain	(22,709,135)	2,936,982
At 31 December	<u>65,372,316</u>	<u>81,668,001</u>

During the year 2023, the Company earned dividend income amounts to SR 1,211,547 (2022: SR 1,447,359).

4.2 This represents investment in a private sector securities. Such investment is classified as fair value through other comprehensive income. The Company holds less than 1 % of such company and such investment is irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. The investment is in GCC. During the year 2022, group received the amount equivalent to part of their share in the investment due to reduction of share capital. A summary of the movements in investment at FVOCI is presented below:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
At 1 January	2,996,892	4,495,777
Changes in fair values	(191,765)	-
Disposal	-	(1,498,885)
At 31 December	<u>2,805,127</u>	<u>2,996,892</u>

5 - ACCOUNTS RECEIVABLES AND OTHER ASSETS

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Advances to funds	1,643,921	2,149,072
Receivables from customers*	1,163,925	4,058,554
Management fee receivable from local investments	845,088	50,376
Management fee receivable from foreign investment	652,985	605,597
Investment banking service fees receivable	651,594	590,771
Accrued rent	308,515	-
Dividends receivable	170,482	237,279
Development fee receivable	-	929,285
Other receivable	289,627	205,309
	<u>5,726,137</u>	<u>8,826,243</u>
Impairment of accounts receivables and other assets (note 20)	(321,264)	-
	<u>5,404,873</u>	<u>8,826,243</u>

*During the year, receivable from customer amounted to SR 3,782,279 is transferred to investment property which increased the Group's share in investment property (note 10).

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FOR THE YEAR ENDED 31 DECEMBER 2023

6 - RELATED PARTY TRANSACTIONS AND BALANCES

The Group entered into transactions with the related parties based on terms and conditions approved by the management of the Company for the years ended 31 December 2023 and 2022:

Name	Relationship	Nature of transactions	Amount of transaction	
			2023	2022
Arbah Infrastructure Fund 3 - Alhasa	Fund managed by the Group	Disposal of properties for development	24,218,500	-
Marsa 2 Fund	Fund managed by the Group	Expenses paid on behalf of the Fund	4,373,473	3,350,881
Arabah Direct Financing Fund	Fund managed by the Group	Management and administration fees income	2,427,915	277,911
Araka Al-Diriayah Fund	Fund managed by the Group	Management fees income	1,417,720	-
Arabah Direct Financing Fund II	Fund managed by the Group	Management and administration fees income	630,625	-
Arbah Daily Liquidity Fund (Formerly "Arabah GCC Liquidity Fund")	Fund managed by the Group	Management and administration fees	366,850	671,800

One of the fund (Marsa 2) under the Group management has obtained a loan through the Company with an outstanding amount of SR 30,428,571 as at 31 December, 2023 (31 December, 2022: SR 11,885,714), the loan is secured by some assets of the group. This is an off balance sheet balance, such balances are not included in the Group's consolidated financial statements (note 31).

Pricing policies and terms of these transactions with related parties are approved by the Group's management.

Amounts due from related parties as follows:

	2023	2022
Marsa 2 Fund	SR	SR
Araka Al-Diriayah Fund	18,114,688	13,770,325
Arabah Direct Financing Fund II	620,771	-
Arabah Direct Financing Fund	234,252	-
Arbah Daily Liquidity Fund (Formerly "Arabah GCC Liquidity Fund")	202,180	277,911
	27,551	41,568
	<u>19,199,442</u>	<u>14,089,804</u>

Management believes that related parties have sound financial position and these balances are fully recoverable. Amounts due from related parties does not bear finance cost and has no repayment schedule.

Key management personnel

Key management personnel include Chief executive officer and Board of Directors of the Company.

	2023	2022
Short term employee benefits	SR	SR
Board of directors' compensation and bonus	3,387,000	6,009,008
Employees' benefits	667,500	1,846,500
	253,160	346,455
	<u>4,307,660</u>	<u>8,201,963</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****7 - PREPAYMENTS**

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Prepaid operating expenses	342,877	422,826
Prepaid medical insurance	308,329	219,914
Prepaid employee related expense	-	25,500
Others	160,359	148,237
	811,565	816,477

8 - LEASES**Group as a lessee**

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	<u>Office</u>
	<i>SR</i>
As at 1 January 2022	274,820
Addition	2,494,390
Depreciation expense	(524,258)
As at 31 December 2022	2,244,952
Depreciation expense	(498,878)
As at 31 December 2023	1,746,074

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
As at 1 January	2,300,526	285,000
Addition	-	2,494,390
Interest expense on lease liabilities	208,026	117,985
Payments	(623,700)	(596,849)
As at 31 December	1,884,852	2,300,526
Current	415,090	415,090
Non-current	1,469,762	1,885,436

The undiscounted maturity analysis of lease liabilities is as follows:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Less than one year	623,700	623,700
Greater than one but less than five years	1,648,350	2,272,050
	2,272,050	2,895,750

The following are the amounts recognized in profit or loss:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Depreciation expense of right-of-use assets (note 20)	498,878	524,258
Interest expense on lease liabilities (note 21)	208,026	117,985
	706,904	642,243

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023**

9 - PROPERTIES FOR DEVELOPMENT

The movement in the properties for development is summarized as follows:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Balance at beginning of the year	39,102,750	39,102,750
Disposal to a related party (note 6)	(20,009,750)	-
Balance at the end of the year	<u>19,093,000</u>	<u>39,102,750</u>

The fair value of property for development at 31 December 2023 amounted to SR 22.5 million (properties for development as at 31 December 2022: SR 52 million) are as per valuation reports conducted by Century 21 (evaluator), an independent valuer accredited by The Saudi Authority for Accredited Valuers (TAQEEM) and has the membership number 121000038. The appraisal was carried out using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land and buildings in question, including plots size, location, encumbrances and current use. The properties for development have been valued using Level 2 valuation technique.

During the year, Group sold properties for development to a related party and recognized gain on disposal of properties for development amounted to SR 4,208,750 (note 6).

All properties for development are located in Kingdom of Saudi Arabia.

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10 - INVESTMENT PROPERTY

	<i>Capital work in process</i>		<i>Land</i>		<i>Building</i>		<i>Electrical Infrastructure</i>		<i>Equipments</i>		<i>Furniture and fixtures and other Assets</i>		<i>Total</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:														
At 1 January 2022	28,509,155		5,941,340	-	-	-	-	-	-	-	-	-	34,450,495	
Additions	5,527,286		-	-	-	-	-	-	-	-	-	-	5,527,286	
At 31 December 2022	34,036,441		5,941,340	-	-	-	-	-	-	-	-	-	39,977,781	
Addition (note 5)	3,782,279		-	-	-	-	-	-	-	-	-	-	3,782,279	
Transfer	(37,818,720)		-	22,011,729	-	4,542,917	-	5,604,667	-	5,659,407	-	-	-	
At 31 December 2023	-		5,941,340	22,011,729	-	4,542,917	-	5,604,667	-	5,659,407	-	-	43,760,060	
Accumulated depreciation:														
Charge for the year	-		-	287,584	-	215,850	-	327,273	-	630,090	-	-	1,460,797	
At 31 December 2023	-		-	287,584	-	215,850	-	327,273	-	630,090	-	-	1,460,797	
Net book value:														
At 31 December 2023	-		5,941,340	21,724,145	-	4,327,067	-	5,277,394	-	5,029,317	-	-	42,299,263	
At 31 December 2022	34,036,441		5,941,340	-	-	-	-	-	-	-	-	-	39,977,781	

Investment property represents property a jointly owned hotel property jointly owned by the Group and the third party with respective share of 73.23% and 26.77%, it is located in Kingdom of Saudi Arabia. Intended use for the property is to earn rental income, and the investment property was available for incanted used in 2023. The third party has provided the land and transferred the ownership to the Group as a guarantee for the managing of the building activities. The Group recognised in the consolidated financial statements its portion from the cost. It includes capitalised amount of SR 570,871 borrowing cost till 31 December 2023 (2022: SR 570,871).

The fair value of investment property at 31 December 2023 amounted to SR 52.36 million (31 December 2022: SR 49.82 million) as per revaluation reports conducted by Century 21 (evaluator), an independent valuer accredited by The Saudi Authority for Accredited Valuers (TAQEEM) and has the membership number 121000038. The appraisal was carried out using a discounted cash flow approach that reflects observed prices for rental revenue and related costs and incorporates adjustments for factors specific to the operation of the property in question, including expected growth in prices and discount rate. The properties for development have been valued using Level 2 valuation technique.

During the year the Group earned a rent income amounted to SR 3,812,126 from the investment property.

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FOR THE YEAR ENDED 31 DECEMBER 2023

11 - PROPERTY AND EQUIPMENT

	<i>Furniture, fixtures and office equipment</i>			<i>Computers</i>	<i>Total</i>
	<i>Motor vehicles</i>	<i>SR</i>	<i>SR</i>		
Cost:					
At 1 January 2022	127,283	5,395,233	7,766,257	13,288,773	
Additions	-	1,953,012	132,940	2,085,952	
Disposal	-	(5,232,248)	(6,688,779)	(11,921,027)	
At 31 December 2022	127,283	2,115,997	1,210,418	3,453,698	
Additions		137,729	84,057	221,786	
Disposal	(82,000)	-	-	(82,000)	
At 31 December 2023	45,283	2,253,726	1,294,475	3,593,484	
Accumulated depreciation:					
At 1 January 2022	86,528	5,301,740	7,392,986	12,781,254	
Charge for the year	11,321	120,335	114,013	245,669	
Disposal	-	(5,230,868)	(6,688,779)	(11,919,647)	
At 31 December 2022	97,849	191,207	818,220	1,107,276	
Charge for the year	11,321	330,988	129,592	471,901	
Disposal	(82,000)	-	-	(82,000)	
At 31 December 2023	27,170	522,195	947,812	1,497,177	
Net book value:					
At 31 December 2023	18,113	1,731,531	346,663	2,096,307	
At 31 December 2022	29,434	1,924,790	392,198	2,346,422	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****12 - INTANGIBLE ASSETS**

	Softwares	
	2023	2022
	SR	SR
Cost:		
At 1 January	76,675	1,343,216
Disposal	-	(1,266,541)
At 31 December	76,675	76,675
Accumulated amortization:		
At 1 January	27,068	1,285,942
Disposal	-	(1,266,541)
Charge for the year	7,669	7,667
At 31 December	34,737	27,068
Net book value	41,938	49,607
Useful life (year)	10	10

13 - ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2023	2022
	SR	SR
Accounts payable	1,957,553	593,151
Employee related expenses	998,283	2,289,702
Accrued bonus	727,602	1,994,832
Dividend payable (note 17)	623,040	17,082,233
Accrued finance cost on borrowings	288,333	354,916
Advance from a customer related to management fees	232,320	542,080
Other accrued expenses	1,178,220	5,420,864
	6,005,351	28,277,778

14 - BANK CREDIT FACILITIES

The movement during the year is analysed as follows:

	2023	2022
	SR	SR
Non-current portion	13,125,000	15,750,000
Current portion	2,625,000	3,848,753
Total	15,750,000	19,598,753

During the year 2022, The Group has obtained a medium term bank credit facility (Bai Al Ajal) amounted to SR 15.75 million at market rates from a local commercial bank, bank credit facility is repayable in 4.5 years after 1.5 year grace period. Outstanding bank credit facilities amount as at 31 December 2023 and 31 December 2022 is SR 15.75 million.

During the year 2022, The Group has obtained a revolving loan from a local commercial bank at prevailing market rates with facility amount of SR 4.25 million, out of which utilized facility amount at 31 December is SR nil (31 December 2022: SR 3.84 million).

15 - ZAKAT**Charge for the year**

The Group is subject to zakat at the rate of 2.5% (2022: 2.5%) of zakat base calculated in accordance with zakat regulations enforced in the Kingdom of Saudi Arabia by ZATCA.

The zakat is calculated on the basis of the company's net profit for the year before deduction of zakat or zakat base calculated based on shareholder equity, provisions, bookvalue of long term assets and other additions, whichever is greater, according to the regulations of the ZATCA.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****15 - ZAKAT (Continued)****Movement in zakat provision**

The movement in the zakat provision was as follows:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
At the beginning of the year	4,309,229	3,656,295
Transfer from other accrued expenses (note 13)	4,562,264	-
Under provision for the prior years	4,679,839	-
Provision for the year	1,879,048	1,823,520
Paid during the year	(4,791,513)	(1,170,586)
At the end of the year	<u>10,638,867</u>	<u>4,309,229</u>

Status of assessment

The Group has filed the zakat returns and received final Zakat certificate for the years up to 2022 with the Zakat, Tax, and Customs Authority ("ZATCA"). Sorouh Al Arbah Real Estate Company (a Subsidiary) submit its Zakat return within the Group return.

In 2019 ZATCA has issued the final assessment for the years from 2014 to 2017 with additional zakat liability of SR 9,274,439. The Group filed an appeal against the assessments raised by the ZATCA.

During the year 2023, the Group received a revised Zakat assessments for the years from 2014 to 2017 in which additional zakat liability was revised to SR SR 7,510,942 , Zakat assessments for the years from 2014 to 2017 have been finalized. The Group submitted a request for an installment plan for an amount of SR 7,510,942 as per the zakat regulation 20% of the amount has been paid and the remaining amount SR 6,008,753 will be paid on monthly installments. The Group received an approval as an amount of SR 500,729 shall be paid on 12 installments starting from 18 October 2023 accordingly 3 installments are paid during the year 2023.

During the year, the ZATCA has issued a final assessment for the year 2019 with an additional zakat liability of SR 2,161,473, for which The Group settled an amount of SR 1,245,568 and filed an appeal against the remaining amount of SR 915,905 and an amount of SR 91,591 was paid to ZATCA to submit the appeal. The group has received the initial decision from GSTC for the year 2019 to pay 791,893.

The group decided to re-appeal the initial decision. The management of the group believes it has a sufficient provision in its consolidated statement of financial position, hence, no further provisions were recorded. The appeal is still being considered by the ZATCA until the date of preparing these consolidated financial statements.

Zakat assessments have not yet been issued by the ZATCA for the years from 2020 to 2022.

16 - EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Group has one defined benefit plan (unfunded), which is a final salary plan in line with Labor Law requirement in the Kingdom of Saudi Arabia and require to recognise the provision for employees' end-of-service benefits for the amounts payable at the consolidated statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit obligation are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	4.6%	4.8%
Future salary increases	6.0%	4.8%
	WHO SA 19-	
Mortality rate	75%	WHO SA 19-75%
Rate of employee turnover	Heavy	Moderate

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023****16 - EMPLOYEES' DEFINED BENEFIT LIABILITIES (Continued)**

Break up of net benefit costs charged to profit or loss is as follows:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Current service cost	635,143	623,306
Finance cost on defined benefit liabilities	222,608	122,170
Net benefit expense	857,751	745,476

Changes in the present value of defined unfunded benefit liabilities is as follows:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Defined benefit liabilities at the beginning of the year	4,569,972	4,333,152
Current service cost	635,143	623,306
Interest cost	222,608	122,170
Actuarial (gain) / loss on the obligation recognised in OCI	(84,083)	270,250
Benefits paid during the year	(637,977)	(778,906)
Defined benefit liabilities at the end of the year	4,705,663	4,569,972

A quantitative sensitivity analysis for material assumption on the defined benefit liabilities as at 31 December and the impact on the defined benefit liabilities is shown as below:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Discount rate:		
0.50% increase	4,578,016	4,412,025
0.50% decrease	4,840,124	4,737,719
Long-term future salary increase:		
0.50% increase	4,845,257	4,704,942
0.50% decrease	4,571,866	4,441,288

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****17 - SHARE CAPITAL**

The Company operated with a capital of SR 142,780,000 divided into 14,278,000 shares at SR 10 par value each. All of them are ordinary shares.

As at 31 December 2023, the share capital of the Company is divided as follows:

<u>Shareholders</u>	<u>Shareholding</u>	
	<u>%</u>	<u>SR</u>
International Investors Holding Company	15.91	22,715,000
Abdullah Rushaid Al Rushaid & Son Company (Al Rushaid Investment Company)	11.14	15,900,500
Al Kifah Holding Company	10.00	14,278,000
Abdulrazzak bin Mohammed bin Qanbar Al Ansari Trading Company Limited	9.09	12,980,000
Majd Company for Development and Investment	9.09	12,980,000
Abdullah Hamad Ammar Al Ammar	9.09	12,980,000
Abdulhadi Al Qahtani & Partners for Marine and Oil Field Services Company	6.82	9,735,000
Hamad Saleh Salem Al Wabel	4.55	6,490,000
Nasser Mohammed AlNabit & Sons Company	4.55	6,490,000
Abdullah Saleh Aba Hussein	2.27	3,245,000
Abdulmohsen Rashed Abdulrahman Al Rashed	2.27	3,245,000
Salem Balhammer Real Estate Company	2.27	3,245,000
Sons of Abdullah Ahmed Al Mohaish Holding Co.	2.27	3,245,000
Al Amwaj International Company Limited	2.27	3,245,000
Others*	8.41	12,006,500
	<u>100</u>	<u>142,780,000</u>

As at 31 December 2022, the share capital of the Company is divided as follows:

<u>Shareholders</u>	<u>Shareholding</u>	
	<u>%</u>	<u>SR</u>
International Investors Holding Company	15.91	22,715,000
Abdullah Rushaid Al Rushaid & Son Company (Al Rushaid Investment Company)	11.14	15,900,500
Al Kifah Holding Company	10.00	14,278,000
Abdulrazzak bin Mohammed bin Qanbar Al Ansari Trading Company Limited	9.09	12,980,000
Majd Company for Development and Investment	9.09	12,980,000
Abdullah Hamad Ammar Al Ammar	9.09	12,980,000
Abdulhadi Al Qahtani & Partners for Marine and Oil Field Services Company	6.82	9,735,000
Ibdar Capital	4.55	6,490,000
Nasser Mohammed AlNabit & Sons Company	4.55	6,490,000
Abdullah Saleh Aba Hussein	2.27	3,245,000
Abdulmohsen Rashed Abdulrahman Al Rashed	2.27	3,245,000
Salem Balhammer Real Estate Company	2.27	3,245,000
Sons of Abdullah Ahmed Al Mohaish Holding Co.	2.27	3,245,000
Al Amwaj International Company Limited	2.27	3,245,000
Hussain Hassan Al Namer Company	2.05	2,920,500
Others*	6.36	9,086,000
	<u>100</u>	<u>142,780,000</u>

*Represents shareholders holding individually less than 2% of the share capital.

- During 2023, the shareholders of the Company did not declare dividends (2022 : SR 17,133,600).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****18 - STATUTORY RESERVE**

In accordance with previous Saudi Companies' law, the Company must transfer 10% of its income in each year until it has built up a reserve equal to 30% of the capital. The new Saudi Companies law which became effective on 19 January 2023 removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company is in the process of updating its bylaws to align it with the new law.

19 - ASSET MANAGEMENT INCOME

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Murabaha income*	14,143,319	6,095,277
Management fees	5,668,841	3,955,514
Admin and registration fees	763,593	97,142
Performance fees	611,185	-
Custody fees	54,110	-
Development fees	47,388	568,665
	<u>21,288,436</u>	<u>10,716,598</u>

*During the year 2023, the Company earned murabaha income amounts to SR 14,143,319 (2022: SR 6,095,277) at murabaha profit rate of 5% - 6% (2022 5% - 6%).

20 - GENERAL AND ADMINISTRATION EXPENSES

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Professional services	3,217,085	1,134,049
Subscription fees	1,328,043	1,069,766
Compensation of board of directors (note 6)	667,500	1,846,500
Travel and accommodation	826,045	740,854
Value added tax	633,800	439,474
Depreciation of right-of-use assets (note 8)	498,878	524,258
Depreciation of property and equipment (note 11)	471,901	245,669
Insurance	382,766	380,820
Impairment of accounts receivables and other assets (note 5)	321,264	-
Information technology	346,126	250,721
Utilities	318,803	342,527
Communications	211,221	239,677
Amortisation of intangible assets (note 12)	7,669	7,667
Compensation of chief executive officer (note 6)	-	794,832
Other	1,106,969	643,831
	<u>10,338,070</u>	<u>8,660,645</u>

21 - FINANCE COSTS

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Finance cost on bank credit facilities (note 14)	1,596,913	1,523,021
Accretion of finance cost on employees' defined benefit liabilities (note 16)	222,608	122,170
Accretion of interest on lease obligations (note 8)	208,026	117,985
	<u>2,027,547</u>	<u>1,763,176</u>

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	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Reversal of other accrued expenses*	366,301	362,684
Foreign exchange gain / (loss) - net	14,360	(996,954)
Gain / (loss) on disposal of property and equipment	3,500	(1,330)
Reversal of accrued finance cost on borrowings	-	948,626
Others	(231,546)	103,529
	<u>152,615</u>	<u>416,555</u>

*During 2023, the Group reversed other accrued expenses amounting to SR 366,301 (2022 SR: 362,684) as other income, since the Group has no obligation against these balances.

23 - COST OF RENTAL INCOME

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Hotel operational expenses	885,438	-
Depreciation of investment property (note 10)	1,460,797	-
Salaries of hotel staff	849,575	-
Management fee	363,495	-
Other expenses	405,486	-
	<u>3,964,791</u>	<u>-</u>

24 - EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit / (loss) for the year attributable to equity holder of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the loss and share data used in the basic and diluted loss per share calculation:

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
Loss for the year attributable to shareholder of the Group	(22,381,506)	(1,171,588)
Weighted average number of ordinary shares outstanding (number of shares)	<u>14,278,000</u>	<u>14,278,000</u>
Basic and diluted loss per share from loss for the year	<u>(1.57)</u>	<u>(0.08)</u>

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25 - FAIR VALUE MEASUREMENT

25.1 Financial assets of the Group that are measured at fair value on an ongoing basis:

The table below provides information on how to measure the fair value of these financial assets (valuation methods and inputs used)

	Fair Value		Fair value hierarchy	Valuation method and inputs used	Important intangible inputs	Relationship between important intangible inputs and fair value
	2023	December 31, 2022				
	SR	SR				
Financial Assets at Fair Value Through Profit and Loss						
Quoted stocks	3,931,200	3,353,850	Level 1	Prices quoted at Financial Markets	Not Applicable	Not Applicable
Unquoted stocks	61,441,116	78,314,151	Level 3	Using the equity method and the latest available financial information	Not Applicable	Not Applicable
Total Financial Assets at FVTPL	<u>65,372,316</u>	<u>81,668,001</u>				

Financial Assets at Fair Value Through Other Comprehensive Income:

Unquoted stocks	2,805,127	2,996,892	Level 3	Using the equity method and the latest available financial information	Not Applicable	Not Applicable
Total Financial Assets at FVTOCI	<u>2,805,127</u>	<u>2,996,892</u>				
Total financial instruments	<u>68,177,443</u>	<u>84,664,893</u>				

There were no transfers between Level I and Level III during the year ended 31 December, 2023 and 31 December 2022.

For the above items, the fair value of financial assets and liabilities for Level III has been determined in accordance with agreed upon pricing models that reflect the credit risk of the parties to be dealt with.

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25 - FAIR VALUE MEASUREMENT (continued)

25.2 Financial assets and financial liabilities of the Group that are not measured at fair value on an ongoing basis:

Management of the Group believe that the carrying amounts of financial assets and financial liabilities denominated in the Group's consolidated financial statements approximate their fair values:

	December 31, 2023		December 31, 2022	
	Amortized Cost	Book Value	Amortized Cost	Book Value
	SR	SR	SR	SR
Financial assets not measured at fair value				
Cash and cash equivalents	10,115,930	10,115,930	19,427,619	19,427,619
Due from related parties	19,199,442	19,199,442	14,089,804	14,089,804
Receivables from customers	1,163,925	1,163,925	4,058,554	4,058,554
Development fee receivable	-	-	929,285	929,285
Management fee receivable from foreign investment	331,721	331,721	605,597	605,597
Investment banking service fees receivable	651,594	651,594	590,771	590,771
Accrued rent	308,515	308,515	-	-
Dividends receivable	170,482	170,482	237,279	237,279
Other receivable	289,627	289,627	205,309	205,309
Management fee receivable from local investments	845,088	845,088	50,376	50,376
Total Financial assets not measured at fair value	33,076,324	33,076,324	40,194,594	40,194,594

Financial Liabilities not measured at fair value

Bank credit facilities	15,750,000	15,750,000	19,598,753	19,598,753
Dividend payable	623,040	623,040	17,082,233	17,082,233
Other accrued expenses	1,178,220	1,178,220	5,420,864	5,420,864
Lease liabilities	1,884,852	1,884,852	2,300,526	2,300,526
Employee related expenses	998,283	998,283	2,289,702	2,289,702
Accrued bonus	727,602	727,602	1,994,832	1,994,832
Accounts payable	1,957,553	1,957,553	593,151	593,151
Accrued finance cost on borrowings	288,333	288,333	354,916	354,916
Total Financial Liabilities not measured at fair value	23,407,883	23,407,883	49,634,977	49,634,977

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26 - ANALYSIS OF THE MATURITIES FOR THE ASSETS AND LIABILITIES

The following table illustrates the analysis of assets and liabilities according to expected maturity periods:

2023	Up to 1 Year SR	Over 1 Year SR	Total SR
Assets			
Cash and cash equivalents	10,115,930	-	10,115,930
Investment in financial instruments	3,931,200	64,246,243	68,177,443
Accounts receivable and other assets	5,404,873	-	5,404,873
Due from related parties	19,199,442	-	19,199,442
Prepayments	811,565	-	811,565
Right-of-use assets	498,878	1,247,196	1,746,074
Properties for development	-	19,093,000	19,093,000
Investment property	2,921,594	39,377,669	42,299,263
Property and equipment	471,901	1,624,406	2,096,307
Intangible assets	7,669	34,269	41,938
Total Assets	43,363,052	125,622,783	168,985,835
Liabilities:			
Lease liability	415,090	1,469,762	1,884,852
Accounts payable, accruals and other liabilities	6,005,351	-	6,005,351
Bank credit facilities	2,625,000	13,125,000	15,750,000
Zakat provision	10,638,867	-	10,638,867
Employees' defined benefit liabilities	-	4,705,663	4,705,663
Total Liabilities	19,684,308	19,300,425	38,984,733
Net Assets / Equity	23,678,744	106,322,358	130,001,102

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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26 - ANALYSIS OF THE MATURITIES FOR THE ASSETS AND LIABILITIES (continued)

The following table illustrates the analysis of assets and liabilities according to expected maturity periods (continued) :

	2022		Total	
	Up to 1 Year	Over 1 Year	SR	SR
Assets				
Cash and cash equivalents	19,427,619	-	19,427,619	
Investment in financial instruments	3,353,850	81,311,043	84,664,893	
Accounts receivable and other assets	8,826,243	-	8,826,243	
Due from related parties	14,089,804	-	14,089,804	
Prepayments	816,477	-	816,477	
Right-of-use assets	524,258	1,720,694	2,244,952	
Investment property	-	39,977,781	39,977,781	
Properties for development	-	39,102,750	39,102,750	
Property and equipment	245,669	2,100,753	2,346,422	
Intangible assets	7,669	41,938	49,607	
Total Assets	47,291,589	164,254,959	211,546,548	
Liabilities:				
Lease liability	415,090	1,885,436	2,300,526	
Accounts payable, accruals and other liabilities	28,277,778	-	28,277,778	
Bank credit facilities	3,848,753	15,750,000	19,598,753	
Zakat provision	4,309,229	-	4,309,229	
Employees' defined benefit liabilities	-	4,569,972	4,569,972	
Total Liabilities	36,850,850	22,205,408	59,056,258	
Net Assets / Equity	10,440,739	142,049,551	152,490,290	

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2023****27 - FINANCIAL INSTRUMENTS**

Financial assets	2023	2022
	SR	SR
Financial assets at fair value through profit or loss		
Quoted investments in the Kingdom of Saudi Arabia	3,931,200	3,353,850
Unquoted Investments in the Kingdom of Saudi Arabia	39,339,148	42,712,712
Unquoted Investments outside the Kingdom of Saudi Arabia	22,101,968	35,601,439
	65,372,316	81,668,001
Financial assets at fair value through OCI		
Unquoted equity investments in the GCC	2,805,127	2,996,892
Financial Instruments	68,177,443	84,664,893
Financial liabilities		
	Interest rate	2023
		2022
Current interest-bearing bank credit facilities		
Bank credit facilities - current portion	SIBOR + 3%	SR
	2,625,000	3,848,753
Non - current interest-bearing bank credit facilities		
Bank credit facilities - non current portion	SIBOR + 3%	SR
	13,125,000	15,750,000
	15,750,000	19,598,753

Fair values

As of reporting date, financial assets at amortised costs consist of cash at banks, amount due from related parties and accounts receivable and other assets. The fair values of financial assets approximate their carrying amounts due to their short-term nature. For non-current bank credit facilities fair value measurement hierarchy, on a non-occurring basis for liabilities, is level 3- material unobservable inputs, the fair value of the bank credit facilities is a reasonable estimate of their carrying value.

Financial instruments risk management objectives and policies

The Group's principal financial assets include investment in financial instruments, amounts due from related parties, accounts receivable and other assets and cash and cash equivalents that is derived directly from its operations.

The Group's activities expose it to both direct and indirect financial risk, including: market risk, foreign currency risk, credit risk equity price risk, and liquidity risk. Material direct exposure to financial risk occurs through the impact on profit of movements in funds under management ("FUM") and through its direct investments in quoted equity shares.

Market risk

The key direct risks associated with the Group are those driven by investment and market volatility and the resulting impact on Funds Under Management ("FUM") or a reduction in the growth of FUM. Reduced FUM will directly impact on management fee income and profit because management fee income is calculated as a percentage of the NAV of FUM. FUM can be directly impacted by a range of factors including:

- a) Poor investment performance;
- b) Market volatility;
- c) A loss of key personnel; and
- d) Investor allocation decisions: investors constantly re-assess and re-allocate their investments on the basis of their own preferences. Investor allocation decisions could operate independently from investment performance, such that funds outflows occur despite positive investment performance.

The Group closely monitors the above factors and ensure proper and timely actions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****27 - FINANCIAL INSTRUMENTS (continued)****Financial instruments risk management objectives and policies (continued)****Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). Kingdom of Saudi Arabia has a fixed exchange rate regime, with a united states dollar peg, accordingly the risk associated with the united states dollar is minimal. Group has an investment in United Arab Emirates dirham, the risk associated with fluctuation in price of the United

Foreign currency position

The Group manages its foreign currency risk on its financial position and cash flow.

The Group's exposure to foreign currency changes as follow.

	<u>2023</u>	<u>2022</u>
	<i>SR</i>	<i>SR</i>
GBP	742,502	10,407,706

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in GBP exchange rates, with all other variables held constant. The impact on the Group's profit before Zakat is due to changes in the fair value of monetary assets.

	Change in GBP	<u>2023</u>	<u>2022</u>
		<i>SR</i>	<i>SR</i>
GBP against SR	+/- 0.5%	3,713	52,039

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily due from related parties and its customers, for which their investment is pledged against the receivables as a collateral. Its Company's policy to enter into financial instrument contracts with reputable counterparties. The Company seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Cash are substantially placed with commercial banks with sound credit ratings the amount of expected credit loss is immaterial.

The maximum exposure to direct credit risk at reporting date is the carrying amount of amounts due from related parties and other debit balances. No assets are past due or impaired except for the amounts where provision is recognised as the ECL in note 5 to the consolidated financial statements.

The Group has determined that balances with related parties and other debit balances are collectible and fully recoverable and that the financial position of the related entities and other debit balances is good except for the amounts where provision is recognised as the ECL in note 5 to the consolidated financial statements.

Equity price risk

The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Equity price sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. With all other variables held constant, the Group's profit before zakat is affected through the impact on change in market price, as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****27 - FINANCIAL INSTRUMENTS (continued)****Financial instruments risk management objectives and policies (continued)****Equity price risk (continued)***Equity price sensitivity (continued)*

	Increase / decrease in basis point	Effect on profit before Zakat
2023		<i>SR</i>
Investments in listed equity instruments	+100	67,363
	-100	(67,363)
2022		
Investments in listed equity instruments	+100	63,507
	-100	(63,507)

The following table demonstrates the sensitivity to a reasonably possible change in Group's unquoted equity investments are susceptible to fair value risk arising from uncertainties about future values of the investment securities. With all other variables held constant, the Group's profit before zakat is affected through the impact on change in price, as follows:

	Increase / decrease in basis point	Effect on profit before Zakat
2023		<i>SR</i>
Investments in unlisted equity instruments	+100	614,411
	-100	(614,411)
2022		
Investments in unlisted equity instruments	+100	783,142
	-100	(783,142)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowing which expose the Group to cash flow interest rate risk.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of bank credit facilities affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	Increase / decrease in basis point	Effect on profit before Zakat
2023		<i>SR</i>
Bank credit facilities	+100	157,500
	-100	(157,500)
2022		
Bank credit facilities	+100	195,988
	-100	(195,988)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realise financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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27 - FINANCIAL INSTRUMENTS (continued)
Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2023	less than year	1 to 5 years	> 5 year	Total
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Bank credit facilities	2,625,000	13,125,000	-	15,750,000
Dividend payable	623,040	-	-	623,040
Other accrued expenses	1,178,220	-	-	1,178,220
Lease liabilities	623,700	1,648,350	-	2,272,050
Employee related expense	998,283	-	-	998,283
Accrued bonus	727,602	-	-	727,602
Accounts payable	1,957,553	-	-	1,957,553
Accrued finance cost on borrowings	288,333	-	-	288,333
	9,021,731	14,773,350	-	23,795,081
31 December 2022	less than year	1 to 5 years	> 5 year	Total
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Bank credit facilities	3,848,753	15,750,000	-	19,598,753
Dividend payable	17,082,233	-	-	17,082,233
Other accrued expenses	5,420,864	-	-	5,420,864
Lease liabilities	623,700	2,272,050	-	2,895,750
Employee related expense	2,289,702	-	-	2,289,702
Accrued bonus	1,994,832	-	-	1,994,832
Accounts payable	593,151	-	-	593,151
Accrued finance cost on borrowings	354,916	-	-	354,916
	32,208,151	18,022,050	-	50,230,201

Changes in liabilities arising from financing activities

The table below summarises the changes in liabilities arising from financing activities:

2023	Opening	Cash outflow	Others / Cash inflow	Closing
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Bank credit facilities	19,598,753	(7,293,633)	3,444,880	15,750,000
Lease liabilities	2,300,526	(623,700)	208,026	1,884,852
Dividend payable	17,082,233	(16,459,193)	-	623,040
Total liabilities from financing activities	38,981,512	(24,376,526)	3,652,906	18,257,892
2022	Opening	Cash outflow	Others / Cash inflow	Closing
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Bank credit facilities	6,750,000	(6,750,000)	19,598,753	19,598,753
Lease liabilities	285,000	(596,849)	2,612,375	2,300,526
Dividend payable	-	-	17,082,233	17,082,233
Total liabilities from financing activities	7,035,000	(7,346,849)	39,293,361	38,981,512

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****28 - STATUTORY SHARE CAPITAL ADEQUACY REQUIREMENTS**

This item is summarised as follows:

	2023
	<u>SR '000</u>
Share capital base:	
1st tier of share capital	129,959
2nd tier of share capital	-
Total capital base	<u>129,959</u>
Risk weighted asset	
Credit risk	598,381
Market risk	14,680
Operational Risk	95,237
Concentration Risk	83,381
Total risk weighted asset	<u>791,679</u>
Surplus	<u>66,625</u>
Tier 1 Capital ratio:	<u>16.42%</u>
Total Capital ratio:	<u>16.42%</u>

Capital base comprises:

- 1) 1st tier of share capital: 1st tier of share capital comprises paid up capital, retained earnings, all reserves save revaluation reserves less intangible assets and unrealised loss from investments.
- 2) 2nd tier of share capital: 2nd tier of share capital comprises subordinated loan, fixed term debt security and perpetual debt security.
- 3) The surplus and risk weighted asset is calculated for credit, market, operational and concentration risks based on the third foundation of the amended prudential rules issued by Capital Markets Authority (CMA) on 4 January, 2023.
- 4) The Group aims through capital adequacy management to comply with the share capital regulations set forth by CMA to maintain the Group as a going concern and to maintain a resilient capital base.

This item is summarised as follows:

	2022
	<u>SR '000</u>
Share capital base:	
1st tier of share capital	152,441
2nd tier of share capital	-
Total capital base	<u>152,441</u>
Minimum share capital	
Credit risk	107,618
Market risk	2,693
Operating risk	6,966
Total minimum share capital required	<u>117,277</u>
Surplus in share capital	35,164
Share capital adequacy ratio:	<u>1.30</u>

Capital base comprises:

- 1) 1st tier of share capital: 1st tier of share capital comprises paid up capital, retained earnings, all reserves save revaluation reserves less intangible assets and unrealised loss from investments.
- 2) 2nd tier of share capital: 2nd tier of share capital comprises subordinated loan, fixed term debt security and perpetual debt security.
- 3) The minimum share capital is calculated for market, credit and operations risks based on the third foundation of the financial adequacy rules issued by Capital Markets Authority (CMA).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2023****28 - STATUTORY SHARE CAPITAL ADEQUACY REQUIREMENTS (Continued)**

4) The Group aims through capital adequacy management to comply with the share capital regulations set forth by CMA to maintain the Group as a going concern and to maintain a resilient capital base.

29 - APPLICATION OF NEW AND REVISED IFRSs**29.1 New and revised IFRSs applied with no material effect on the consolidated financial statements**

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 relating to disclosure of accounting policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates.
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendment to IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

29.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures relating to Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Group in the period of initial application.

ARBAH CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

30 - EVENTS AFTER THE REPORTING DATE

There were no such events subsequent to the reporting date and occurring before the date of the approval of the consolidated financial statements that are expected to have a material impact on these consolidated financial statements.

31 - CONTINGENCIES AND COMMITMENTS

Contingencies

One of the fund Marsa 2 under the Group management has obtained a loan with an amount of SR 30,428,571 (2022: SR 11,885,714) through the Group, the loan is secured by some assets of the Group. However since the loan is obtained through the Group, Group may be liable for settlement of loan in case of default by the fund (note 6).

32 - ASSETS UNDER MANAGEMENT

The assets under management represents assets being managed by the Group amounting to SR 517 million as at 31 December 2023. (31 December 2022: SR 525 million).

According to the regulations of the Capital Market Authority for authorized persons, and in line with the Group's accounting policy, such balances are not included in the Group's consolidated financial statements.

33 - COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation of the current year.

34 - APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Board of Directors on 20 Ramadan 1445 H (corresponding to 30 March 2024).