

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**  
**TABLE OF CONTENTS**

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<b>INDEX</b>	<b>PAGES</b>
Independent auditor's report	1 – 3
Statement of financial position	4
Statement of income and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 40

TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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**OPINION**

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

We have audited the financial statements of the Company, which comprise of the following:

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

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**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our other 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 opinion.

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**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

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

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

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

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TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for direction, supervision and performance of audit. We remain solely responsible for our audit opinion.

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**PKF**

Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

(3/3)

**TO THE SHAREHOLDERS OF EMIRATES NBD CAPITAL KSA**

**RIYADH, KINGDOM OF SAUDI ARABIA**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

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

**For Al-Bassam & Co.**



Ibrahim Ahmed Al Bassam  
Certified Public Accountant  
License No. 337  
Riyadh: 21 Ramadan 1445H  
Corresponding to: 31 March 2024

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**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

	Notes	December 31, 2023 SR	December 31, 2022 SR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment held at fair value through profit or loss (FVTPL)	8	10,000,000	10,000,000
Right-of-use assets, net	7	881,394	1,399,794
Intangible assets, net	6	36,157	63,339
Property and equipment, net	5	220,631	457,019
<b>Total non-current assets</b>		<b>11,138,182</b>	<b>11,920,152</b>
<b>Current assets</b>			
Cash and cash equivalents	12	51,960,785	22,496,502
Term deposit	11	65,000,000	65,000,000
Due from related parties	9	1,451,241	3,791,355
Trade and other receivables	10	12,561,302	20,378,987
<b>Total current assets</b>		<b>131,973,328</b>	<b>111,666,844</b>
<b>TOTAL ASSETS</b>		<b>142,111,510</b>	<b>123,586,996</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	13	100,000,000	100,000,000
Statutory reserve	14	3,625,490	1,765,699
Retained earnings		24,166,238	7,648,813
<b>Total equity</b>		<b>127,791,728</b>	<b>109,414,512</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Defined benefit obligations	15	2,330,598	1,806,235
Non-current portion of lease liabilities	7	-	1,265,435
<b>Total non-current liabilities</b>		<b>2,330,598</b>	<b>3,071,670</b>
<b>Current liabilities</b>			
Current portion of lease liabilities	7	1,204,192	494,597
Zakat payable	16	3,743,400	3,286,701
Due to related parties	9	2,547,184	2,337,321
Trade and other payables	17	4,494,408	4,982,195
<b>Total current liabilities</b>		<b>11,989,184</b>	<b>11,100,814</b>
<b>TOTAL LIABILITIES</b>		<b>14,319,782</b>	<b>14,172,484</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>142,111,510</b>	<b>123,586,996</b>

The accompanying notes (1) through (30) form an integral part of these financial statements.

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Revenues	18	<b>39,405,321</b>	38,913,357
Special commission income	21	<b>2,034,011</b>	126,916
Dividend income		<b>800,000</b>	-
<b>Total operating income</b>		<b>42,239,332</b>	39,040,273
General and administrative expenses	19	<b>(19,801,646)</b>	(17,474,491)
Profit expense	7,15	<b>(152,841)</b>	(126,922)
Other expenses, net	20	<b>(222,687)</b>	(696,439)
<b>Total operating expenses</b>		<b>(20,177,174)</b>	(18,297,852)
<b>Net operating income before zakat</b>		<b>22,062,158</b>	20,742,421
Zakat expense	16	<b>(3,464,248)</b>	(3,085,428)
<b>Net income for the year after zakat</b>		<b>18,597,910</b>	17,656,993
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to statement of income</i>			
Re-measurement of defined benefit obligations	15	<b>(220,694)</b>	(257,581)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>18,377,216</b>	17,399,412

The accompanying notes (1) through (30) form an integral part of these financial statements.

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGE IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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	<b>Share capital SR</b>	<b>Statutory reserve SR</b>	<b>Retained earnings SR</b>	<b>Total SR</b>
Balance at January 1, 2022	100,000,000	-	(7,984,900)	92,015,100
Income for the year	-	1,765,699	15,891,294	17,656,993
Other comprehensive loss for the year	-	-	(257,581)	(257,581)
Total comprehensive income for the year	-	1,765,699	15,633,713	17,399,412
Balance at December 31, 2022	100,000,000	1,765,699	7,648,813	109,414,512
Income for the year	-	<b>1,859,791</b>	<b>16,738,119</b>	<b>18,597,910</b>
Other comprehensive loss for the year	-	-	<b>(220,694)</b>	<b>(220,694)</b>
Total comprehensive income for the year	-	<b>1,859,791</b>	<b>16,517,425</b>	<b>18,377,216</b>
<b>Balance at December 31, 2023</b>	<b>100,000,000</b>	<b>3,625,490</b>	<b>24,166,238</b>	<b>127,791,728</b>

The accompanying notes (1) through (30) form an integral part of these financial statements.



**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

		<b>December 31, 2023 SR</b>	December 31, 2022 SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<i>Note</i>		
Income before zakat		<b>22,062,158</b>	20,742,421
<i>Adjustments for:</i>			
Depreciation of right-of-use assets	7	<b>518,400</b>	646,798
Depreciation and amortization	5,6	<b>333,155</b>	342,540
Defined benefit obligations	15	<b>296,711</b>	328,147
Profit expense	7,15	<b>152,841</b>	126,922
<b>Operating cash flows before movements in working capital</b>		<b>23,363,265</b>	22,186,828
<i>Movements in working capital:</i>			
Trade and other receivables		<b>7,817,685</b>	(9,690,675)
Due from related parties		<b>2,340,114</b>	(1,417,754)
Trade and other payables		<b>(487,787)</b>	(745,452)
Due to related parties		<b>209,863</b>	442,609
<b>Net cash generated from operations</b>		<b>33,243,140</b>	10,775,526
Zakat paid	16	<b>(3,007,549)</b>	(2,500,929)
Defined benefit obligations paid	15	<b>(68,123)</b>	(272,680)
<b>Net cash generated from operating activities</b>		<b>30,167,468</b>	8,001,917
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Placement in term deposits		-	(65,000,000)
Purchase of property and equipment		<b>(69,585)</b>	(52,380)
Investment held at FVTPL		-	(67,500)
<b>Net cash generated used in investing activities</b>		<b>(69,585)</b>	(65,119,880)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Repayment of principal portion of lease liability		<b>(633,600)</b>	(622,400)
<b>Net cash used in financing activity</b>		<b>(633,600)</b>	(622,400)
<b>Net change in cash and cash equivalents</b>		<b>29,464,283</b>	(57,740,363)
Cash and cash equivalents at the beginning of the year		<b>22,496,502</b>	80,236,865
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>51,960,785</b>	22,496,502
<i>Significant non-cash transactions:</i>			
Re-measurement losses of Defined benefit obligations	15	<b>220,694</b>	257,581

The accompanying notes (1) through (30) form an integral part of these financial statements

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**1. GENERAL**

Emirates NBD Capital KSA (the “Company”) is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010248476 dated 13 Rabi Thani 1429H (corresponding to April 19, 2008).

The Company is owned 95% by Emirates NBD Bank (the “Bank”), registered in the United Arab Emirates and 5% by Emirates Financial Services, a subsidiary of the Bank.

The principal activities of the Company are trading as principle, agent and underwriting, managing, arranging, advising and custodial services in accordance with license number 07086-37 dated 8 Shaba’an 1428H (corresponding to 21 August 2007) from the Capital Market Authority (“CMA”).

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the new Law.

The registered address of the Company is as follows:

Emirates NBD Capital KSA  
P.O. Box 34177  
Prince Turki Al Awwal Road  
Riyadh 11333, Kingdom of Saudi Arabia

**1.1. Basis of preparation**

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively hereafter referred to as “IFRS as endorsed in KSA”) and in compliance with the applicable requirements of the Regulations of Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

**1.2. Historical cost convention**

The financial statements have been prepared on a going concern basis under conventional historical cost, except for investment measured at fair value through profit or loss. For employee defined benefit obligations which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

## **2. GENERAL (continued)**

### **1.2. Historical cost convention (continued)**

In addition, for financial reporting purposes, fair value measurements are categorized into 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **1.3. Foreign currency translation**

#### (a) Reporting currency

These financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Company.

#### (b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

### **Financial instruments**

Financial assets and financial liabilities are recognized when Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of income.

#### Financial assets

The Company recognizes financial assets on trade date basis at which the Company becomes a part to the contracted provisions of the investment.

All recognized financial assets are subsequently measured in their entirety at amortized cost using the effective profit rate (“EPR”) method (if the impact of discounting or any transaction costs is significant). Profit income from these financial assets is included in Profit income. Any gain or loss arising on derecognition is recognized directly in the statement of income and presented in other income / expenses.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Financial instruments (continued)**

#### Classification of financial assets

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

#### Amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is 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 profit on the principal amount outstanding.

#### Fair value through profit or loss (FVTPL)

Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of income. These are initially recognized at fair value and transaction costs are charged to expenses in profit and loss account.

#### Fair value through other comprehensive income (FVTOCI)

Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings / (accumulated losses) and is not reclassified to the statement of income. Dividends are recognized in the statement of income unless the dividend represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve.

The Company does not have any financial asset that meets the criteria to be classified as subsequently measured at 'fair value through other comprehensive income' nor it has elected to irrevocably designate its financial assets to be subsequently measured at 'fair value through other comprehensive income'.

#### Effective profit method

The effective profit method is a method of calculating the amortized cost of a debt instrument and of allocating profit income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Financial instruments (continued)**

#### *Effective profit method (continued)*

For purchased or originated credit-impaired financial assets, a credit-adjusted effective profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Profit income is recognized using the EIR method for debt instruments measured subsequently at amortized cost. Profit income is calculated by applying the EIR to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, profit income is recognized by applying the EIR to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognized by applying the EIR to the gross carrying amount of the financial asset.

#### *Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on cash and cash equivalent and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss (“ECL”) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

#### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Financial instruments (continued)**

#### *Measurement and recognition of expected credit losses (Continued)*

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective profit rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in the statement of income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Financial instruments (continued)**

#### *Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on the financial assets has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

#### *Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

1. When there is a long outstanding debt and a similar past experience exists; or
2. Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower
2. a breach of contract, such as a default or past due event
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
5. the disappearance of an active market for that financial asset because of financial difficulties.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Financial instruments (continued)**

#### Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner and when there is a past similar experience of default for such transaction. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in the statement of income

#### Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained profit in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of income.

#### Financial liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortized cost.

#### Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income.

#### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and bank current accounts.



## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Expenditure on maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method to allocate the costs of the related assets over the estimated useful lives as shown in note 5.

The Company applies the following useful lives to its property and equipment:

Furniture and fixtures	4 years
Office equipment and computers	4 years

Leasehold improvements are depreciated over the shorter of their useful lives or the lease term.

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end with any changes recognized on a prospective basis.

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

The Company assesses at the audit of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units 'CGU'). Recoverable amount is the higher for which of an asset's fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of income in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of income. Impairment losses on goodwill, if any, are not reversible.

### **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Company applies an annual rate of amortization over 4 years.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Intangible assets (continued)**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statement of income when the asset is derecognized.

### **Zakat**

The Company is subject to the Regulations of the General Authority of Zakat and Income Tax (“GAZT”) in the Kingdom of Saudi Arabia. Zakat is provided on an accrual’s basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

### **Value-added tax (“VAT”)**

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

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

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the statement of financial position.

### **Provisions**

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

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

### **Trade and other payables**

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

### **Employee benefits**

#### *Defined benefit obligations*

Defined benefit obligations are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to the statement of income in subsequent periods.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Employee benefits (continued)**

#### *Defined benefit obligations (continued)*

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of income as past service costs. Profit expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- profit expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in the statement of income in relevant line items.

The discount rate used is determined based on the Company's external actuary's rate model which is based on high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations.

#### *Short-term and other long-term employee benefits*

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

### **Statutory reserve**

In accordance with the Company's By-Laws the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital.

### **Leases**

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Leases (continued)**

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect profit on the lease liability (using effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under International Accounting Standard (“IAS”) 37 – Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 – Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property and Equipment’ policy.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Leases (continued)**

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of income.

As a practical expedient, IFRS 16 – Leases permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

The Branch has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Branch recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### **Revenue recognition**

The Company uses the five-step model of revenue recognition as described in IFRS 15 – Revenue from Contracts with Customers. In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

#### ***Identification of performance obligations:***

At the inception of each contract entered into with a customer, the Company identifies the services promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations.

Services promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

#### ***Allocation of the transaction price:***

The Company determines the transaction price in accordance with the requirements of IFRS 15 and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimable).

#### ***Recognition of revenue allocated to each performance obligation:***

The Company recognizes the revenue from each performance obligation over time based on the measure of progress towards complete satisfaction of the performance obligation. This is based on the Company's assessment that the customer simultaneously receives, and consumes the benefit embodied in, the services.

The Company's approach to assessment of measure of progress towards complete satisfaction of each performance obligation varies depending upon the nature of the promised services.

## **2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

### **Revenue recognition (continued)**

The Company is in the business of providing arranging, dealing, asset management and custody services. Revenue from contracts with customers is recognized when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services. Specific details for each type of revenue are set out below:

#### ***a) Arranging services fees***

Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is usually acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

#### ***b) Dealing fees***

The Company carries out activity under its license as principal as well as an agent. Dealing service is extended to customers for trading in Tadawul in KSA as well as UAE markets.

The Company's performance obligations represent the execution of the trades requested by the customers. Transaction price for each performance obligation is pre-agreed. Revenue is recognized at a point in time when the deals are executed by the Company.

#### ***c) Custody services fees***

Securities custody activity is the regular source of income for the Company. The Company is providing service relating to equity custody as well as real estate custody. Customers appoint the Company to be the custodian of assets pledged as collateral or being the custodian of the real-estate properties for real estate funds.

Agreements by the Company are entered into either on a fixed fee or based on a percentage of asset values. The fees are defined in the agreement and there is no variable consideration identified in the agreements. The Company's obligations are defined to be being the custodian of the assets. The services are performed over time and revenue is recognized on a straight-line basis distributed over the length of the contract on the contract value.

#### ***d) Asset management services fees***

Asset management services involve managing securities belonging to other parties in circumstances involving the exercise of discretion. Asset management fees is charged to the funds under the management of the Company and other discretionary portfolios. The Company's performance obligation as per these agreements is to manage the assets under these funds and trading in the market for value maximization.

**2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

*d) Asset management services fees (continued)*

The Company's performance obligation is satisfied over time as asset management services is a continuous supply of services to the customer. Revenue is recognized on a straight-line basis distributed over the length of the contract on the contract value.

**Expenses**

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

**Fiduciary assets**

Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in the accompanying financial statements. Such assets are recorded as off-balance sheet items and disclosed in the accompanying notes to the financial statements. The fees earned by the Company from managing those assets are included in the statement of income and other comprehensive income.

*Assets under management:*

The Company offers asset management services to funds. The assets of such funds are not treated as assets of the Company and accordingly are not included in the financial statements.

*Clients' cash accounts and assets:*

Clients' cash accounts and assets are not treated as assets of the Company and accordingly are not included in the financial statements.

**3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

<b>Amendments to standards</b>	<b>Description</b>	<b>Effective from accounting period beginning on or after</b>	<b>Summary of amendment</b>
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.



**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (Continued)**

**New and amended IFRS Standards issued but not yet effective**

IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**4.1 Critical accounting judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations (refer to note 4.2 below), that the management have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

#### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

##### **4.1 Critical accounting judgments in applying accounting policies (continued)**

###### *Going concern*

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

###### *Significant judgement in determining the lease term of contracts with renewal options*

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

###### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

###### *Business model assessment*

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

#### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

##### **4.2 Key sources of estimation uncertainty**

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### ***Measurement of fair values***

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. Further information about the assumptions made in measuring fair values is included in Note 22 of these financial statements.

##### ***Allowance for expected credit loss***

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

#### **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

##### **4.2 Key sources of estimation uncertainty (continued)**

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

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

###### *Assumptions used to determine the actuarial value of the defined benefit obligations*

The Company makes various estimates in determining the actuarial value of the Defined benefit obligations. These estimates are disclosed in note 15.

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

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

###### *Provision for zakat*

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits or losses and/or cash flows.

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**5. PROPERTY AND EQUIPMENT, NET**

Note	Leasehold	Furniture	Office	Total
	improvements	and fixtures	Equipment and computers	
	SR	SR	SR	SR
<b>Cost</b>				
January 1, 2023	5,758,682	2,456,803	2,572,150	10,787,635
Additions	-	-	69,585	69,585
December 31, 2023	5,758,682	2,456,803	2,641,735	10,857,220
<b>Accumulated depreciation</b>				
January 1, 2023	5,685,952	2,155,478	2,489,186	10,330,616
Charge for the year	36,456	225,359	44,158	305,973
December 31, 2023	5,722,408	2,380,837	2,533,344	10,636,589
<b>Net book value</b>				
December 31, 2023	36,274	75,966	108,391	220,631
<b>Cost</b>				
January 1, 2022	5,758,682	2,456,803	2,519,770	10,735,255
Additions	-	-	52,380	52,380
December 31, 2022	5,758,682	2,456,803	2,572,150	10,787,635
<b>Accumulated depreciation</b>				
January 1, 2022	5,649,496	1,930,119	2,437,379	10,016,994
Charge for the year	36,456	225,359	51,807	313,622
December 31, 2022	5,685,952	2,155,478	2,489,186	10,330,616
<b>Net book value</b>				
December 31, 2022	72,730	301,325	82,964	457,019

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**6. INTANGIBLE ASSETS, NET**

Intangible assets comprise of computer software. The cost of intangible assets is amortised on a straight-line basis over the estimated useful life of 4 years.

	December 31, 2023	December 31, 2022
	SR	SR
<b>Cost</b>		
Balance at the beginning of the year	640,193	572,693
Additions	-	67,500
At end of the year	<u>640,193</u>	<u>640,193</u>
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	576,854	547,936
Charge for the year	19 27,182	28,918
At end of the year	<u>604,036</u>	<u>576,854</u>
<b>Net book value</b>		
At end of the year	<u>36,157</u>	<u>63,339</u>

**7. LEASES**

**Right-of-use assets, net**

The Company has a lease contract for its office space for a period of 5 years. Set out below are the carrying amount of right-of-use asset recognized and the movements during the year:

	December 31, 2023	December 31, 2022
	SR	SR
<b>Cost</b>		
Balance at the beginning of the year	3,096,001	3,096,001
At end of the year	<u>3,096,001</u>	<u>3,096,001</u>
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	1,696,207	1,049,409
Charge for the year	19 518,400	646,798
At end of the year	<u>2,214,607</u>	<u>1,696,207</u>
<b>Net book value</b>		
At end of the year	<u>881,394</u>	<u>1,399,794</u>

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**7. LEASES (continued)**

**Lease liabilities**

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Balance at the beginning of the year	<b>1,760,032</b>	1,771,298
Additions during the year	-	510,915
Payments made during the year	<b>(633,600)</b>	(619,200)
Profit expense on lease liabilities	<b>77,760</b>	97,019
At end of the year	<b>1,204,192</b>	1,760,032
	<b>December 31, 2023 SR</b>	December 31, 2022 SR
<b>Current Portion</b>		
Lease liability	<b>1,204,192</b>	494,597
<b>Non-current portion</b>		
Lease liability	-	1,265,435
	<b>1,204,192</b>	1,760,032

The following are the amounts recognized in the statement of income:

	Note	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Depreciation of right-of-use asset	19	<b>518,400</b>	646,798
Profit expense on lease liabilities		<b>77,760</b>	97,019
Total amount recognized in the statement of income		<b>596,160</b>	743,817

**8. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<b>31 December, 2023</b>	31 December, 2022
ENBD KSA Logistic Fund	<b>10,000,000</b>	10,000,000
	<b>10,000,000</b>	10,000,000
	<b>Fair Value</b>	<b>Carrying amount</b>
<b>31 December 2023</b>	<b>10,000,000</b>	<b>10,000,000</b>
31 December 2022	10,000,000	10,000,000
		<b>Unrealized Gain</b>
		-
		-

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

The Company is a member of group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Emirates NBD Bank, a bank registered in – United Arab Emirates, which is also the Company’s immediate parent entity.

<u>Name of related parties with which the Company transacts usually</u>	<u>Relationship</u>
Emirates NBD (the “Bank”)	Shareholder
Emirates NBD Capital PSC Dubai	Shareholder
Emirates NBD Bank – KSA Branch (the “Branch”)	Affiliate
Emirates NBD Capital – Dubai	Affiliate
Emirates NBD Bank – Private Banking Dubai	Affiliate
Emirates NBD Asset Management Limited	Affiliate
ENBD Securities	Affiliate

Following are the significant transactions with related parties during the year:

<b>Related party</b>	<b>Nature of transactions</b>	<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
Emirates NBD Bank – KSA Branch (“Branch”)	KSA admin services fee Custody fees	-	(303,600)
		<b>2,980,731</b>	2,416,753
Emirates NBD Bank – Private Banking Dubai	Recharge of expenses, net	<b>(203,685)</b>	(727,771)
Board members	Independent Board members’ fee	<b>(150,000)</b>	(240,000)
Key management personnel	Salaries and wages	<b>(4,250,000)</b>	(3,841,500)
	End-of-service benefits	<b>(474,792)</b>	(330,277)

The Company’s related parties include its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms, which are approved by the management or board of directors.

**a) Significant transactions with the Bank / the Branch:**

*i) Banking services*

The Bank through its Riyadh branch (the “Branch”) acts as the banker of the Company. An amount of SR 51 million (December 31, 2022: SR 22 million) is held in current account with the Branch at the statement of financial position date (note 12).

*ii) Custody fees*

As per the agreement with the Private Banking Group of the Branch and Emirates NBD Dubai, the Company charges custody fees on shares held on Branch’s behalf. The income for 2023 amounted to SR 2.9 million (2022: SR 2.4 million).



**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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

*b) Amounts due from and to related parties*

Amounts due from related parties is as follows:

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Emirates NBD Bank – KSA Branch	<u>1,451,241</u>	3,791,355
	<b>1,451,241</b>	<b>3,791,355</b>

Amounts due to related parties are as follows:

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Emirates NBD – PJSC (the “Bank”)	<u>2,547,184</u>	2,337,321
	<b>2,547,184</b>	<b>2,337,321</b>

**10. TRADE AND OTHER RECEIVABLES**

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Trade receivables, net*	6,666,115	15,845,554
Management fee receivable	5,012,964	3,703,315
Prepaid expenses	865,845	815,839
Advance to employees	<u>16,378</u>	14,279
	<b>12,561,302</b>	<b>20,378,987</b>

\*Trade receivables, as at December 31, 2023 is stated net of an impairment provision amounting to SR 0.11 million (December 31, 2022: SR 0.11 million).

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over accounts receivables and the vast majority is, therefore, unsecured.

**11. TERM DEPOSIT**

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Term deposit	<u>65,000,000</u>	65,000,000
	<b>65,000,000</b>	<b>65,000,000</b>

Based on the Tadawul Exchange (Muqassa) requirements upon implementation of PTPP (Post Trade and Technology Project), collateral amount of SAR 65 million deposited in March 2022 with General Clearing Member (GCM), Arab National Bank, Riyadh. The subject collateral deposit with GCM and Tadawul Exchange started earning profit from March 2022 onwards.

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**12. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Cash in hand	<b>10</b>	10
Bank balances	<b>51,960,775</b>	22,496,492
	<b>51,960,785</b>	22,496,502

The Company's balance with the bank is held in current account with Emirates NBD Bank – KSA Branch and does not earn profit.

**13. SHARE CAPITAL**

The share capital of the Company, amounting to SR 100,000,000, is divided into 10,000,000 shares of SR 10 each (2022: 10,000,000 shares of SR 10 each).

<b>Name</b>	<b>December 31, 2023</b>		December 31, 2022	
	<b>Number of shares</b>	<b>%</b>	Number of shares	%
Emirates NBD Bank	<b>9,500,000</b>	<b>95%</b>	9,500,000	95%
Emirates Financial Services – Dubai	<b>500,000</b>	<b>5%</b>	500,000	5%
	<b>10,000,000</b>	<b>100%</b>	10,000,000	100%

**14. STATUTORY RESERVE**

In accordance with the Company's By-Laws the Company is required to transfer at least 10% of its net income each year to the statutory reserve until this reserve equals to 30% of the paid capital.

**15. DEFINED BENEFIT OBLIGATIONS**

	<b>December 31, 2023</b>	December 31, 2022
	<b>SR</b>	<b>SR</b>
Balance at the beginning of the year	<b>1,806,235</b>	1,978,446
Current service cost – recognized in profit and loss	<b>296,711</b>	328,147
Profit expense – recognized in profit and loss	<b>75,081</b>	29,903
Paid during the year	<b>(68,123)</b>	(272,680)
Actuarial loss – recognized in other comprehensive income	<b>220,694</b>	(257,581)
<b>Balance at the end of the year</b>	<b>2,330,598</b>	1,806,235

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**15. DEFINED BENEFIT OBLIGATIONS (continued)**

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	<b>December 31, 2023</b>	December 31, 2022
Discount rate	<b>5.50%</b>	5.00%
Rate of salary increases	<b>4.50%</b>	2.00%

All movements in the defined benefit liabilities are recognized in the statement of income except for the actuarial loss which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Increase in discount rate of 6%	<b>42,092</b>	30,457
Decrease in discount rate of 5%	<b>(43,846)</b>	(31,715)
Increase in rate of salary increase of 5%	<b>(44,277)</b>	(32,640)
Decrease in rate of salary increase of 4%	<b>42,888</b>	31,610

The expected maturity analysis of the undiscounted defined benefit obligation for the end of service plan is as follows:

Less than a year	1-2 years	2-5 years	Over 5 years	Total
<b>714,000</b>	<b>752,346</b>	<b>774,820</b>	<b>2,075,905</b>	<b>4,317,071</b>

The weighted average duration of the defined benefit obligation is 3.8 years.

Actuarial gains / (losses)

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Arising from experience	<b>(55,701)</b>	25,527
Arising from changes in financial assumptions	<b>(164,993)</b>	232,054
	<b>(220,694)</b>	257,581

**16. ZAKAT PAYABLE**

The charge for the year is as follows:

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Current year	<b>(3,464,248)</b>	(3,085,428)
Prior years	-	-
	<b>(3,464,248)</b>	(3,085,428)

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**16. ZAKAT PAYABLE (continued)**

The significant components of the zakat base of the Company as per the filed zakat declarations, which are subject to adjustments under the zakat regulations, are as follows:

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Equity	<b>109,414,512</b>	92,015,100
Opening allowances and other adjustments	<b>4,359,638</b>	5,699,723
Book value of long-term assets	<b>(1,138,182)</b>	(1,920,152)
	<b>112,635,968</b>	95,794,671
Adjusted profit / (loss) for the year	<b>22,433,950</b>	21,100,471
Zakat base	<b>135,069,918</b>	116,895,142
Zakat charge for the year	<b>3,464,248</b>	3,085,428

**Movement in provision is as follows:**

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
At the beginning of year	<b>3,286,701</b>	2,702,202
Charge for the year	<b>3,464,248</b>	3,085,428
Prior year adjustment	-	-
Payments during the year	<b>(3,007,549)</b>	(2,500,929)
At the end of the year	<b>3,743,400</b>	3,286,701

The differences between the financial and adjusted Zakat table income are mainly due to certain disallowed provisions.

***Status of assessments***

The assessments issued by ZATCA for the years 2008 to 2013 and 2018 were finalized. No Zakat assessment issued by ZATCA for the open years yet.

On 1 November 2023, the Company received a query from ZATCA requesting information relating to the year ended 31 December 2021. The Company submitted a partial response to ZATCA on 6 March 2024. No response received yet from ZATCA with respect to the information submitted. Furthermore, no query was received for other years.

The Zakat returns through the years have been submitted to the GAZT within the statutory deadlines and Zakat due have been settled. The returns are still under review by the GAZT and assessments have not yet been issued.

**17. TRADE AND OTHER PAYABLES**

	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Bonus provision	<b>2,185,412</b>	2,057,088
Accrued expenses	<b>1,551,995</b>	1,734,424
VAT payable	<b>275,353</b>	661,277
GOSI payable	<b>158,035</b>	141,253
Withholding tax	<b>173,613</b>	148,153
Accrued Board of Directors' remuneration	<b>150,000</b>	240,000
	<b>4,494,408</b>	4,982,195

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**18. REVENUES**

Set out below is the disaggregation of the Company's revenue from its contracts with customers:

**a) Disaggregation by type of service**

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Arrangement fees	<b>24,182,217</b>	19,763,859
Custody fees	<b>3,879,301</b>	2,416,753
Dealing fees, net	<b>3,134,803</b>	4,231,624
Asset management fees	<b>8,209,000</b>	12,501,121
	<b>39,405,321</b>	38,913,357

**b) Disaggregation by customer type**

	<b>Notes</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
Related party	9	<b>2,980,731</b>	2,416,753
Non-related party		<b>36,424,590</b>	36,496,604
		<b>39,405,321</b>	38,913,357

**c) Disaggregation of revenue by recognition principle**

	<b>December 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Performance obligation satisfied at point in time	<b>27,317,020</b>	23,995,483
Performance obligation satisfied over time	<b>12,088,301</b>	14,917,874
	<b>39,405,321</b>	38,913,357

**19. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Notes</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
		<b>SR</b>	<b>SR</b>
Salaries and employee-related expenses		<b>13,881,239</b>	11,631,588
Legal and professional fees		<b>2,221,079</b>	1,948,811
Repairs and maintenance		<b>1,079,800</b>	962,705
Communication expense		<b>954,833</b>	871,613
Depreciation of right-of-use asset	7	<b>518,400</b>	646,798
Depreciation and amortization	5 & 6	<b>333,155</b>	342,540
Stationery and subscription fees		<b>295,823</b>	279,061
Independent board members remuneration		<b>150,000</b>	240,000
Utilities		<b>54,478</b>	71,251
Security charges		<b>156,000</b>	156,000
Travel expenses		<b>147,174</b>	237,926
Other		<b>9,665</b>	86,198
		<b>19,801,646</b>	17,474,491

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**20. OTHER EXPENSES, NET**

	<b>December 31,</b>	December 31,
	<b>2023</b>	2022
	<b>SR</b>	<b>SR</b>
Recharge from related parties, net	<b>203,685</b>	727,771
Foreign exchange loss / (gain), net	<b>19,002</b>	(31,332)
	<b>222,687</b>	696,439

**21. SPECIAL COMMISSION INCOME**

	<b>Notes</b>	<b>December 31,</b>	December 31,
		<b>2023</b>	2022
		<b>SR</b>	<b>SR</b>
Special commission income on term deposits	11	<b>2,034,011</b>	126,916
		<b>2,034,011</b>	126,916

**22. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial assets consist of cash and cash equivalents, Investment in FVTPL in unlisted fund, due from a related party and other receivables. Financial liabilities consist of due to related parties and other payables. The fair values of financial assets and financial liabilities of the Company at the reporting date approximates their carrying values. All financial assets and financial liabilities of the Company are classified under level 3 of the fair value hierarchy.

**23. FINANCIAL RISK MANAGEMENT**

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and profit rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

**a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of profit rate risk and currency risk.

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**23. FINANCIAL RISK MANAGEMENT (continued)**

**a) Market risk (continued)**

*Profit rate risk*

Profit rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing profit rates on the Company's financial position and cash flows. The Company's term deposits are placed with the Bank with fixed profit rate. The Company does not have any significant exposure to special commission rate risk as it does not have any floating special commission rate bearing financial assets or liabilities as at the reporting date and does not carry any fixed special commission bearing financial instruments at fair value.

*Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake any significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year. As Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk. The Company manages currency risk exposure to other currencies by continuously monitoring the currency fluctuations. As at the reporting date, the Company's exposure to foreign currency balances was not significant.

*Equity price risk*

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. As at the reporting date the Company has no such financial instruments which are exposed to equity market risk.

**b) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings and usually with the parent entity. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

Company's maximum exposure to credit risk for the components of the statement of financial position:

	Note	<b>December 31, 2023 SR</b>	December 31, 2022 SR
Cash and cash equivalents*		<b>51,960,775</b>	22,496,492
Term deposit	11	<b>65,000,000</b>	65,000,000
Due from related parties		<b>1,451,241</b>	3,791,355
Trade and other receivables*		<b>11,695,457</b>	19,563,148
		<b>130,107,473</b>	110,850,995

**EMIRATES NBD CAPITAL KSA**  
(A SAUDI CLOSED JOINT STOCK COMPANY)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**23. FINANCIAL RISK MANAGEMENT (continued)**

**a) Credit risk (continued)**

\* *excluding cash in hand and prepaid expenses*

The Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for receivables. In respect of profit-bearing financial assets which comprises of term deposits, the Company applies IFRS 9 general approach to measure expected credit losses. As of 31 December 2023, the Company has calculated the ECL on the above exposures, however, except for trade and other receivables, due to the amount being minimum it is not recorded in the financial statements.

**b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders and from bank facilities. The table below shows an analysis of financial assets and liabilities analysed according to when they are expected to be recovered or settled.

<b>2023</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>More than 1 year</b>	<b>No fixed maturity</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	51,960,785	-	-	-	51,960,785
Trade and other receivables	11,695,457	-	-	-	11,695,457
Investments at FVTPL	-	-	-	10,000,000	10,000,000
Term deposit	-	-	-	65,000,000	65,000,000
Due from related parties	1,451,241	-	-	-	1,451,241
<b>Total assets</b>	<b>65,107,483</b>	<b>-</b>	<b>-</b>	<b>75,000,000</b>	<b>140,107,483</b>

<b>2023</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>More than 1 year</b>	<b>No fixed maturity</b>	<b>Total</b>
<b>Liabilities</b>					
Current portion of lease liabilities	-	1,204,192	-	-	1,204,192
Due to related parties	2,547,184	-	-	-	2,547,184
Trade and other payables	3,887,407	-	-	-	3,887,407
Defined benefit obligations	-	-	2,330,598	-	2,330,598
<b>Total liabilities</b>	<b>6,434,591</b>	<b>1,204,192</b>	<b>2,330,598</b>	<b>-</b>	<b>9,969,381</b>
<b>Liquidity gap arising from financial Instruments</b>	<b>58,672,892</b>	<b>(1,204,192)</b>	<b>(2,330,598)</b>	<b>75,000,000</b>	<b>130,138,102</b>

<b>2022</b>	<b>Within 3 months</b>	<b>3-12 months</b>	<b>More than 1 year</b>	<b>No fixed maturity</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	22,496,492	-	-	-	22,496,492
Trade and other receivables	19,563,148	-	-	-	19,563,148
Investments at FVTPL	-	-	-	10,000,000	10,000,000
Term deposit	-	-	-	65,000,000	65,000,000
Due from related parties	3,791,355	-	-	-	3,791,355
<b>Total assets</b>	<b>45,850,995</b>	<b>-</b>	<b>-</b>	<b>75,000,000</b>	<b>120,850,995</b>



**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**23. FINANCIAL RISK MANAGEMENT (continued)**

**b) Liquidity risk (continued)**

2022	Within 3 months	3-12 months	More than 1 year	No fixed maturity	Total
Liabilities					
Current portion of lease liabilities	-	494,597	-	-	494,597
Due to related parties	2,337,321	-	-	-	2,337,321
Trade and other payables	4,031,512	-	-	-	4,031,512
Non-current portion of lease liabilities	-	-	1,204,192	-	1,204,192
Defined benefit obligations	-	-	1,806,235	-	1,806,235
Total liabilities	<u>6,368,833</u>	<u>494,597</u>	<u>3,010,427</u>	<u>-</u>	<u>9,873,857</u>
Liquidity gap arising from financial Instruments	<u>39,482,162</u>	<u>(494,597)</u>	<u>(3,010,427)</u>	<u>75,000,000</u>	<u>110,977,138</u>

**24. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base and to sustain future development of the business. For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and make adjustments in light of changes in economic conditions and its financial needs.

**25. ASSETS HELD IN FIDUCIARY CAPACITY**

As at December 31, 2023, client money held under fiduciary capacity amounted to SR 195.54 million (December 31, 2022: SR 73.484 million), and the net asset value of the assets under management held under fiduciary capacity amounted to SR 10,208 million (December 31, 2022: SR 3,547 million). These amounts were maintained with the Company by its customers for the purpose of investment, on their behalf, in the local and UAE equity market denominated in SR, AED and USD. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company.

The Company entered into custodial service agreement with a real estate fund operating in the kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as a custodian for the fund.

**26. RETIREMENT BENEFIT INFORMATION**

The Company makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 0.46 million (2022: SR 0.33 million).

**EMIRATES NBD CAPITAL KSA**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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**27. CONTINGENCIES AND COMMITMENTS**

There were no contingent liabilities and commitments of the Company as at 31 December 2023 (31 December 2022: nil) except for outstanding zakat assessment explained in note 16 to the financial statements.

**28. RECLASSIFICATION OF PRIOR YEAR FIGURES**

Certain comparative information has been reclassified to conform to the current year presentation.

**29. SUBSEQUENT EVENTS**

There have been no other significant subsequent events since the year-ended that would require additional disclosure or adjustment in these financial statements.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 18 Ramadan 1445H corresponding to 28<sup>th</sup> March 2024G. \_\_\_\_\_.