

**STANDARD CHARTERED
CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

31 DECEMBER 2023

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Standard Chartered Capital Saudi Arabia Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

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

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

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

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 are responsible for overseeing the Company's financial reporting process.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) (Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) (Continued)**

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 Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)



Riyadh: (15 Ramadhan 1445H)
(25 March 2024)

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STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 SR	2022 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	287,127	321,603
Intangible assets, net	7	5,108,030	4,168,908
Right-of-use assets	8	261,933	1,048,521
Deferred tax assets	13	3,067,947	3,286,250
TOTAL NON-CURRENT ASSETS		8,725,037	8,825,282
CURRENT ASSETS			
Prepayments and other receivables	9	252,614	5,992,188
Due from related parties	11	53,411,891	49,959,017
Cash and cash equivalents	10	87,772,945	75,775,469
TOTAL CURRENT ASSETS		141,437,450	131,726,674
TOTAL ASSETS		150,162,487	140,551,956
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	15	100,000,000	100,000,000
Statutory reserve	16	6,199,553	5,824,313
Retained earnings		3,377,159	2,234,325
Other reserve		(3,462)	48,638
TOTAL SHAREHOLDERS' EQUITY		109,573,250	108,107,276
LIABILITIES			
NON-CURRENT LIABILITY			
Employees' end-of-service benefits obligation	14	391,267	286,299
TOTAL NON-CURRENT LIABILITY		391,267	286,299
CURRENT LIABILITIES			
Due to related parties	11	30,635,238	24,398,425
Accrued expenses and other payables	12	6,557,753	6,838,082
Dividends payable	15	2,234,325	-
Lease liability – current	8	369	543,540
Income tax payable	13	770,285	378,334
TOTAL CURRENT LIABILITIES		40,197,970	32,158,381
TOTAL LIABILITIES		40,589,237	32,444,680
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		150,162,487	140,551,956

The attached notes 1 to 25 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING INCOME			
Service fees	17	-	5,517,074
Arranging fees	17	30,522,870	17,188,049
TOTAL OPERATING INCOME		30,522,870	22,705,123
OPERATING EXPENSES			
General and administration expenses	18	(28,317,023)	(20,755,727)
NET OPERATING INCOME		2,205,847	1,949,396
Other income	19	2,592,902	1,006,056
NET PROFIT BEFORE TAX FOR THE YEAR		4,798,749	2,955,452
Current income tax	13	(828,047)	(382,563)
Deferred tax	13	(218,303)	(90,305)
NET PROFIT FOR THE YEAR		3,752,399	2,482,584
<i>Other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent years:</i>			
Re-measurement gain on employees end of service benefits obligation	14	(52,100)	74,243
OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(52,100)	74,243
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,700,299	2,556,827

The attached notes 1 to 25 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

	<i>Share Capital</i> SR	<i>Statutory reserve</i> SR	<i>Other reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR
Balance at 1 January 2022	100,000,000	5,576,054	(25,605)	1,266,122	106,816,571
Net profit for the year	-	-	-	2,482,584	2,482,584
Other comprehensive income for the year	-	-	74,243	-	74,243
Total comprehensive income for the year	-	-	74,243	2,482,584	2,556,827
Transfer to statutory reserve	-	248,259	-	(248,259)	-
Dividends (see Note 15)	-	-	-	(1,266,122)	(1,266,122)
Balance at 31 December 2022	100,000,000	5,824,313	48,638	2,234,325	108,107,276
Balance at 1 January 2023	100,000,000	5,824,313	48,638	2,234,325	108,107,276
Net profit for the year	-	-	-	3,752,399	3,752,399
Other comprehensive income for the year	-	-	(52,100)	-	(52,100)
Total comprehensive income for the year	-	-	(52,100)	3,752,399	3,700,299
Transfer to statutory reserve	-	375,240	-	(375,240)	-
Dividends (see Note 15)	-	-	-	(2,234,325)	(2,234,325)
Balance at 31 December 2023	100,000,000	6,199,553	(3,462)	3,377,159	109,573,250

The attached notes 1 to 25 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before income tax		4,798,749	2,955,452
<i>Adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation of property and equipment	6	149,929	-
Depreciation of right-of-use assets	8	786,588	753,125
Amortisation of intangible assets	7	960,888	727,448
Impairment of intangible assets	7	600,059	-
Provision of employees' end of service benefit expense	14	81,400	94,340
Written off	6	-	39,956
Finance cost	8	11,229	19,325
<i>Working capital adjustments:</i>			
Due from related parties		(3,452,874)	15,589,540
Prepayments and other receivables		5,739,574	(5,419,544)
Accrued expenses and other payables		(280,329)	3,033,631
Due to related parties		6,236,813	6,433,978
Net cash flows from/ (used in) operations		15,632,026	24,227,251
Income tax paid	13	(436,096)	(196,713)
Employees' end of service benefits paid	14	(28,532)	-
Net cashflow from/ (used in) operating activities		15,167,398	24,030,538
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(1,879)	(219,597)
Purchase of intangible assets	7	(2,613,643)	(4,119,737)
Net cash flow used in investing activities		(2,615,522)	(4,339,334)
FINANCING ACTIVITIES			
Payment of dividends		-	(3,672,177)
Principal payment of lease liabilities	8	(554,400)	(554,400)
Net cash flow used in financing activities		(554,400)	(4,226,577)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR			
Cash and cash equivalents at the beginning of the year	10	75,775,469	60,310,842
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	87,772,945	75,775,469
<u>Significant non-cash transactions:</u>			
Re-measurement gain of employees' end-of-service benefits obligation	14	(52,100)	74,243
Addition to right-of-use assets	8	-	1,068,501
Provision for reinstatement cost		-	569,269

The attached notes 1 to 25 form an integral part of these financial statements.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 ACTIVITIES

Standard Chartered Capital Saudi Arabia Company (“the Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010289274 dated 19 Jumada Al-Alkhirah 1431H (corresponding to 2 June 2010).

The principal activities of the Company are to provide underwriting, dealing, arranging, advising and keeping custody of financial securities pursuant to its Capital Market Authority (“CMA”) license number 09144-37, dated 11 Muharram 1431H (corresponding to 28 December 2009) in accordance with the Saudi Arabia General Investment Authority (“SAGIA”) license no. 102031026237 dated 2 Safar 1431H (corresponding to 17 January 2010). The Company’s registered office is located at the following address:

7th Floor, Al Faisaliah Tower
P.O. Box 295522
Riyadh 11351
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1 Basis of preparation

The financial statements are prepared under the historical cost basis, except employees’ benefits obligation, using the accrual basis of accounting and the going concern concept. Employees’ benefits obligation is measured at present value of future obligations using the projected unit credit method.

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

3 MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements

In the process of applying the Company’s accounting policies, management has made the following judgements, which have the most material effect on the amounts recognizes in these financial statements:

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, 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY (A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

3 *SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)*

Estimates and assumptions (continued)

The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of employees' benefits obligation

The cost of the end-of-service and ex-gratia benefits ("employee benefits") under defined unfunded benefit plans is determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. Further details about employee benefits liabilities are provided in Note 14.

Recoverability of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be recognized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. These losses relate to a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Company.

4 *MATERIAL ACCOUNTING POLICIES*

The following are the material accounting policies applied by the Company in preparing its financial statements except for the amendments in Note 5.2:

Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of bank balances and short-term bank deposits that have an original maturity of three months or less.

Financial instruments

Initial recognition

The Company records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Company classifies its financial assets under the following categories:

- fair value through profit or loss ("FVPL");
- fair value through other comprehensive income ("FVOCI"); and
- amortised cost

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company classifies all non-derivative financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at FVPL.

The Company designates a non-derivative financial liability at FVPL if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

De-recognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Fair value of financial instruments

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

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

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

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised 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 or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities 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 input).

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognised at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite useful lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with finite useful lives are amortised using straight-line method over their estimated useful lives as follows:

Computer software

3-10 years

Intangible asset is amortised over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Property and equipment

Property and equipment, except for capital work in progress are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the items if the recognition criteria is met.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the statement of income.

Capital work in progress are stated at cost less accumulated impairment loss, if any. Capital work in progress represents all costs relating directly or indirectly to the projects in progress and will be accounted for under relevant category of property and equipment upon completion.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In case of reversal of impairment loss, impairment loss is recognised in statement of income to the extent that, what the depreciated historical cost would have been if the impairment had not been recognised.

The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixture and office equipment	3 years
Motor vehicles	3 years

Leases and Right of use assets

For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is recognizes, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

Right of Use Assets

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

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

If there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to the transaction, etc., these need to be added to the Right of Use assets value.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

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

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

STANDARD CHARTERED CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases and Right of use assets (continued)

Lease Liability (continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Payments associated with short-term leases and leases of low-value assets are recognizes on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Impairment

Non-financial assets

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

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

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as commission expense.

Employees' benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

Post-employment benefits obligation

The Company provides end of service benefits to its employees in accordance with the requirements of Articles 87 and 88 of the Saudi Arabian Labor Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period. The employee benefits obligation plan is not funded. The valuation of the obligation under those plans is carried out by an independent actuary based on the projected unit credit method.

The liability recognised in the statement of financial position is the present value of the employees' benefits obligation at the end of the reporting period. The employees' benefits obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the employees' benefits obligation is determined by discounting the estimated future cash outflows using special commission rates of US AA-rated corporate bond yields.

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

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Re-measurement are not reclassified to profit or loss in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit and loss as past service costs.

Dividends

Final dividends are recognised as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Statutory reserve

In accordance with the Company's By-Laws and Companies' Law, the Company must set aside 10% of its income after zakat and income tax in each year until it has built up a reserve equal to 30% of its share capital. The reserve is not available for distribution.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognized when the Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards. The details of the above revenues and the method of their recognition in accordance with IFRS 15 are as follows:

- a. *Arranging fee income* is recognized in the accounting period in which the services are rendered based on the applicable service contracts.
- b. *Service fee income* is recognized in the accounting period in which the services are rendered based on the applicable contracts.

Expenses

General and administrative expenses include direct and indirect costs not specifically forming part of operating costs.

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4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax and value-added tax ("VAT")

Current

Income tax, computed in accordance with Saudi Arabian tax regulations, is accrued and charged to statement of income. Under Saudi Arabian income tax laws, income tax is the liability of foreign shareholders. Income tax is computed on the foreign shareholders' share of taxable income for the period. The Company is owned by a foreign shareholder, therefore it is liable to the income tax.

Deferred

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward benefits of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward benefits of unused tax assets and unused tax losses can be utilised, except.

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted in the respective countries at the reporting date.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary assets and liabilities, which were not significant for the period, are taken to profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

5.1 New standards, interpretations and amendments to accounting standards adopted by the Company

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the year unless otherwise stated.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Standard, interpretation and amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	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.	1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New standards issued but not yet effective

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

Standard, interpretation and amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1 & IFRS S2, General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	1 January 2025

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

6 PROPERTY AND EQUIPMENT

Property and equipment comprise a capital work in progress for leasehold improvement.

<i>For the year ended 31 December 2023</i>	<i>Office equipment SR</i>	<i>Vehicles SR</i>	<i>Furniture and fittings SR</i>	<i>Capital work in progress SR</i>	<i>Total SR</i>
Cost					
At the beginning of the year	-	-	-	321,603	321,603
Additions during the year	131,674	194,110	89,477	11,974	427,235
Transfers	-	-	-	(425,356)	(425,356)
Reclassify from intangible asset	-	-	-	113,574	113,574
At the end of the year	131,674	194,110	89,477	21,795	437,056
Accumulated depreciation:					
At the beginning of the year	-	-	-	-	-
Charge for the year	52,670	61,468	35,791	-	149,929
At the end of the year	52,670	61,468	35,791	-	149,929
Net book value As at 31 December 2023	79,004	132,642	53,686	21,795	287,127

	<i>Capital work in progress SR</i>	<i>Total SR</i>
<i>For the year ended 31 December 2022</i>		
Cost		
At the beginning of the year	141,962	141,962
Additions during the year	219,597	219,597
Written-off	(39,956)	(39,956)
Net book value As at 31 December 2022	321,603	321,603

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

7 INTANGIBLE ASSETS, NET

Intangible assets comprise of software that is amortised on a straight-line basis over an estimated useful life of 3 to 10 years.

<i>For the year ended 31 December 2023</i>	<i>Computer software SR</i>	<i>Work in progress SR</i>	<i>Total SR</i>
Cost			
At the beginning of the year	9,123,407	112,377	9,235,784
Additions during the year	2,514,095	99,548	2,613,643
Reclassified to property and equipment	(1,197)	(112,377)	(113,574)
Impairment	(500,511)	(99,548)	(600,059)
At the end of the year	11,135,794	-	11,135,794
Accumulated amortization			
At the beginning of the year	5,066,876	-	5,066,876
Amortisation charge for the year	960,888	-	960,888
At the end of the year	6,027,764	-	6,027,764
Net book value 31 December 2023	5,108,030	-	5,108,030

<i>For the year ended 31 December 2022</i>	<i>Computer Software SR</i>	<i>Work in Progress SR</i>	<i>Total SR</i>
Cost			
At the beginning of the year	5,003,670	112,377	5,116,047
Additions during the year	4,119,737	-	4,119,737
At the end of the year	9,123,407	112,377	9,235,784
Accumulated amortization			
At the beginning of the year	4,339,428	-	4,339,428
Amortisation charge for the year	727,448	-	727,448
At the end of the year	5,066,876	-	5,066,876
Net book value 31 December 2022	4,056,531	112,377	4,168,908

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

8 RIGHT-OF-USE ASSETS / LEASE LIABILITY

The Company has one lease contract representing its office space.

- *Right-of-use assets*

	2023 SR	2022 SR
At the beginning of the year	1,048,521	163,876
Additions during the year	-	1,068,501
Reinstatement estimated costs	-	569,269
Amortization of reinstatement	(229,109)	(310,510)
Depreciation charge for the year	(557,479)	(442,615)
Balance as at 31 December	261,933	1,048,521

- *Lease liability*

	2023 SR	2022 SR
At the beginning of the year	543,540	10,114
Additions during the year	-	1,068,501
Accretion of interest	11,229	19,325
Payment during the year	(554,400)	(554,400)
Balance as at 31 December	369	543,540

	2023 SR	2022 SR
Current portion of the lease	369	543,540
Non-current portion of the lease	-	-

The Company calculates the present value of the minimum lease payments using the Company's incremental borrowing rate of 4.96% over the lease term and amortises the right-of-use assets using the straight-line method over the lease term.

9 PREPAYMENTS AND OTHER RECEIVABLES

	2023 SR	2022 SR
Prepaid expenses	150,460	162,028
Security deposit	59,330	59,330
VAT receivable	42,824	194,580
Margin money against bank guarantee	-	200,000
Other-fees receivables	-	5,376,250
	252,614	5,992,188

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

10 CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Bank balances	87,772,945	36,843,269
Short term deposits	-	38,932,200
	<u>87,772,945</u>	<u>75,775,469</u>

Short term deposit is placed with Standard Chartered Bank - UAE carrying average special commission rate of 4.1 % per annum in 2022, having original maturity of less than three months.

11 RELATED PARTIES TRANSACTIONS AND BALANCES

The Company's shareholder and its affiliates are considered as related parties of the Company. Standard Chartered Bank (SCB UK) is the only shareholder and ultimate parent of the Company.

In the ordinary course of business, the Company enters into transactions with related parties, which are based on prices and contract terms approved by the Company's management. SCB, directly and through its affiliates, provides administrative and infrastructure support to the Company as and when required in addition to providing expertise in revenue generating activities partnering in various projects through revenue sharing arrangements. In 2019, SCB and the Company implemented revised transfer pricing arrangements which is cost-plus model. The Company's share in revenue for participating in these projects is included in its revenue as arranging and service fees. As a result of these transactions, the balances with the same related parties are presented on gross basis on the statement of financial position, as there is no enforceable legal right to offset and there is no intention to settle it on a net basis.

The Company considers the Chief Executive Officer, Chief Financial Officer, Head of Compliance and Finance Manager as the key management personnel. The following shows the composition of the compensation of the Company's key management personnel.

	2023 SR	2022 SR
Salaries and other benefits	4,669,301	2,945,829
End of service benefits	7,967	53,422
Board remuneration (see Note 18)	675,696	587,131
	<u>5,352,964</u>	<u>3,586,382</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

11 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

The following are the details of the significant related party transactions during the year:

	Relationship	Nature of transactions	Amount of transactions for the year	
			2023 SR	2022 SR
Due from related parties				
Standard Chartered Bank United Kingdom – Treasury	Shareholder	Revenue	15,427,427	9,933,513
Standard Chartered Bank – United States of America Branch	Affiliate	Other income	1,204,473	358,977
Dubai International Finance Center Branch	Affiliate	Other income	13,165	381,755
Standard Chartered Bank – United Arab Emirates (UAE) Branch	Affiliate	Other income	1,391,501	271,526
Standard Chartered Bank, Singapore Limited ACU	Affiliate	Revenue	-	1,610
Due to related parties				
		Regional cost recharges	8,310,621	4,063,153
Standard Chartered Bank, Singapore Domestic Business Unit (“DBU”)	Affiliate	IT related expenses	2,775,441	2,351,475
		Purchase of intangible assets	2,613,643	4,199,737
Standard Chartered Bank, Middle East South Africa (“MESA”) Regional Office	Affiliate	Regional cost recharges	217,601	88
		Regional cost recharges	2,937	572,856
		IT related expenses	164,460	44,214
Standard Chartered Bank United Kingdom – Treasury	Shareholder	Employee related	-	467,190
		Dividend paid	-	3,672,177
		Dividend payable	2,234,325	-
		Regional cost recharges	239,412	-
Standard Chartered Bank United Arab Emirates (UAE) Branch	Affiliate	IT related expenses	76,327	155,322

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

11 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Standard Chartered Bank Hong Kong (HK) Limited	Affiliate	IT related expenses	680	49,862
Scope International – India	Affiliate	Outsourcing expenses	541,497	626,520
Scope International – China	Affiliate	Outsourcing expenses	25,614	30,855
			-	282
Standard Chartered Bank – United States of America (USA) Branch	Affiliate	IT related expenses		
		Others	3,912	2,047

The following are the details of the related balances as at the end of the year:

	2023 SR	2022 SR
<i>Due from related parties</i>		
Standard Chartered Bank Saudi Arabia Branch	40,875,975	41,165,794
Standard Chartered Bank United Kingdom – Treasury	10,933,631	4,488,563
Standard Chartered Bank, Singapore Limited DBU	661,309	749,533
Standard Chartered Bank Hong Kong (HK) Limited	517,074	512,714
Standard Chartered Bank, Middle East South Africa (“MESA”) Regional Office	221,914	2,282,354
Affiliate Standard Chartered Bank UAE Branch	201,988	378,276
Dubai International Finance Centre	-	381,783
	53,411,891	49,959,017
<i>Due to related parties</i>		
Standard Chartered Bank United Kingdom – Treasury	18,164,297	10,197,131
Standard Chartered Bank, Singapore Domestic Business Unit (“DBU”)	10,273,065	10,014,081
Standard Chartered Bank, Middle East South Africa (“MESA”) Regional Office	1,019,228	3,414,704
SCOPE International, India	434,939	240,830
Standard Chartered Bank Saudi Arabia Branch	402,213	401,127
Standard Chartered Bank United Arab Emirates (UAE) Branch	253,417	30,474
Standard Chartered Bank Bahrain Branch	43,911	44,015
SCOPE International, China	39,778	33,502
Standard Chartered Bank Hong Kong (HK) Limited	4,110	22,277
SCB USA Branches	280	284
	30,635,238	24,398,425

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

12 ACCRUED EXPENSES AND OTHER PAYABLES

	2023 SR	2022 SR
Employee related payables	3,007,244	2,539,715
Professional services	1,440,583	1,551,611
Withholding tax payable	307,088	1,025,273
Accrued expenses	12,403	467,852
Other payables	1,790,435	1,253,631
	<u>6,557,753</u>	<u>6,838,082</u>

13 CURRENT AND DEFERRED INCOME TAX

a) Provision for income tax

Income tax charge consists of current year provision based on 20% of the taxable profit. Differences between the financial and taxable profit are mainly due to the provisions and depreciation.

b) Movement in taxes payable

	2023 SR	2022 SR
At beginning of the year	378,334	192,484
Income tax provision for the year	770,285	378,334
Adjustment to prior year provision	57,762	4,229
Payments during the year	(436,096)	(196,713)
	<u>770,285</u>	<u>378,334</u>

c) Deferred tax assets

Deferred tax assets represent deferred taxes relating to temporary differences and carried forward tax losses as follows:

	2023 SR	2022 SR
Carry forward losses	2,642,814	2,915,057
Property and equipment and intangible assets, net	233,026	313,933
Employees' end of service benefits	78,253	57,260
Others	113,854	-
	<u>3,067,947</u>	<u>3,286,250</u>

Management believes that based on its business plan there will be enough taxable profit in the subsequent years from which these deferred tax assets will be utilized.

The deferred tax asset in the statement of financial position and deferred tax charge in the statement of profit or loss are attributable to the following items:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

13 CURRENT AND DEFERRED INCOME TAX (continued)

c) Deferred tax assets (continued)

	1 January SR	Recognised in profit or loss SR	31 December SR
2023			
Carry forward losses	2,915,057	(272,243)	2,642,814
Property and equipment and intangible assets, net	313,933	(80,907)	233,026
Employees' end of service benefits	57,260	20,993	78,253
Others	-	113,854	113,854
	<u>3,286,250</u>	<u>(218,303)</u>	<u>3,067,947</u>
At the end of the year	<u>3,286,250</u>	<u>(218,303)</u>	<u>3,067,947</u>
2022			
Carry forward losses	3,039,118	(124,061)	2,915,057
Property and equipment and intangible assets, net	284,197	29,736	313,933
Employees' end of service benefits	53,240	4,020	57,260
	<u>3,376,555</u>	<u>(90,305)</u>	<u>3,286,250</u>
At the end of the year	<u>3,376,555</u>	<u>(90,305)</u>	<u>3,286,250</u>

d) Status of tax assessments

The Company has filed its income tax returns for the years ended 31 December 2010 to 2022. Up to now, there has been no tax assessment raised by the Zakat, Tax and Customs Authority ("ZATCA") since the establishment of the Company. However, in 2022 and 2023, ZATCA raised additional tax liabilities related to taxable year 2016 and 2017, for which Company has settled the additional liabilities.

14 EMPLOYEES' END-OF-SERVICE BENEFITS OBLIGATION

The Company operates an end of service benefit plan for its staff based on the prevailing Saudi Arabian Labor Law.

a) Changes in Employees' end of Service Benefit Obligation:

	2023 SR	2022 SR
At the beginning of the year	286,299	266,202
Current service cost	67,300	88,138
Interest expense	14,100	6,202
End of service expense recognised in profit or loss	81,400	94,340
Re-measurement losses / (gains) recognised in other comprehensive income	52,100	(74,243)
Benefits paid during the year	(28,532)	-
Balance at the end of the year	<u>391,267</u>	<u>286,299</u>

b) Re-measurement loss recognised in other comprehensive income for the year is as follows:

	2023 SR	2022 SR
Effect of change in demographic assumptions	900	(36,087)
Effect of change in financial assumptions	27,900	(60,778)
Effect of experience adjustments	23,300	22,622
Re-measurement (gains) recognised in other comprehensive income	<u>52,100</u>	<u>(74,243)</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

14 EMPLOYEES' END-OF-SERVICE BENEFITS OBLIGATION (continued)

c) Assumptions used and risks (continued)

	2023	2022
Discount rate	5.50%	5.20%
Expected annual salary increment	5.00%	3.70%

d) Sensitivity Analysis

A quantitative sensitivity analysis for significant assumptions on the employees' end of service benefit obligation are shown below (the amounts represent the ending balance of the employees' end of service benefit obligation):

		<i>Increase (decrease) in employee's end of benefit obligation</i>	
		2023	2022
		SR	SR
<i>Increase (decrease)</i>			
Discount rate	+0.5%	(14,100)	(8,699)
	-0.5%	15,200	9,201
Increments	+0.5%	15,200	9,301
	-0.5%	14,300	(8,899)

e) The maturity profile of the undiscounted benefit obligation is as follows:

	2023	2022
	SR	SR
Expected employer contributions		
Year 1	40,700	31,500
Year 2	48,000	38,000
Year 3	57,300	43,600
Year 4	66,000	50,600
Year 5	71,900	56,700
Next 5 years	401,900	312,400

15 SHARE CAPITAL AND DIVIDENDS

The authorised, issued and fully paid share capital of the Company consists of 10 million shares of SR 10 each (2022: 10 million shares of SR 10 each). The ownership of the Company's share capital is as follows as at 31 December 2023 and 2022:

	<i>Number of shares</i>	<i>% of ownership</i>	<i>Amount in SR</i>
Standard Chartered Bank (SCB UK)	10,000,000	100%	100,000,000

On 14 March 2024, the Company held its Board of directors meeting where SR 3.4 million (SR 0.34 per share) dividend were proposed in respect to the financial year ended 31 December 2023 subject to shareholder approval in the OGA.

On 25 May 2023, the Company held its Ordinary General Assembly ("OGA") meeting where dividend was approved and declared in respect to the financial year 2022 amounting to SR 2.2 million (SR 0.22 per share) and still not paid.

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15 SHARE CAPITAL AND DIVIDENDS (continued)

On 29 March 2022, the Company held its Ordinary General Assembly (“OGA”) meeting where dividend was approved and declared in respect to the financial year 2021 amounting to SR 1.3 million (SR 0.13 per share) and was paid in 2022.

On 28 March 2021, the Company held its Ordinary General Assembly (“OGA”) meeting where dividend was approved and declared in respect to the financial year 2020 amounting to SR 2.4 million (SR 0.24 per share) and was paid in 2022.

On 30 June 2020, the Company held its Ordinary General Assembly (“OGA”) meeting where dividend was approved and declared in respect to the financial year 2019 amounting to SR 2.8 million (SR 0.28 per share). Further, on 12 September 2018, the Company’s Board of Directors and shareholder held its Extraordinary General Assembly (“EGA”) meeting where dividends amounting to SR 1.1 million (SR 0.11 per share) were declared and approved and as at 31 December 2020 and was paid during 2021.

16 STATUTORY RESERVE

In accordance with the Companies’ Law in Kingdom of Saudi Arabia, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for distribution.

17 OPERATING INCOME

a) Disaggregated revenue information

Set out below is the disaggregation of the Company’s revenue from contracts with customers.

	2023 SR	2022 SR
<i>Type of service</i>		
Service fees	-	5,517,074
Arranging fees	30,522,870	17,188,049
Total revenue from contracts with customers	30,522,870	22,705,123
	2023 SR	2022 SR
<i>Type of customer</i>		
Related party, net	15,427,070	9,935,123
Private	15,095,800	12,770,000
Total revenue from contracts with customers	30,522,870	22,705,123

b) Contract balances

There are no outstanding assets and liabilities balances related to contracts with customers presented in the statement of financial position, except for an outstanding balance due from a related party (see Note 11).

Balance due from a related party are non-interest bearing and are generally on terms of 30 to 90 days.

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17 OPERATING INCOME (continued)

c) Performance obligations:

Information about the Company's performance obligations are summarised below:

Arranging services

The Company is acting as an agent in these arrangements. The performance obligation is satisfied, and payment is due upon delivery of services to the customer.

Service fees - Revenue from transfer pricing

This amount represents income generated from Standard Chartered Bank, UK Transfer Pricing Agreement whereby costs incurred throughout the year are re-imbrues at a 10% markup (i.e. Cost plus 10%) except for SCB internally recharged direct and indirect costs as these are internally recharged costs are reimbursed at cost (i.e. Cost at 100%) as per the Transfer Pricing Guideline. The performance obligation is satisfied when cost incurred and this to be claimed from Standard Chartered Bank, UK and represent a balance due from a related party (see Note 11).

18 GENERAL AND ADMINISTRATION EXPENSES

	2023 SR	2022 SR
Salaries and employee related expenses	10,944,318	8,663,983
Regional and Head Office recharge *	8,770,579	4,707,852
IT related expenses	3,017,884	2,432,363
Amortisation expense (see Note 7)	960,888	727,448
Depreciation on right of use assets (see Note 8)	786,588	753,125
Directors' fee (see Note 11)	675,696	587,131
Outsourcing expenses	639,861	657,375
Premise related expenses	626,147	586,383
Impairment of intangible assets	600,059	-
Utilities	249,585	260,652
Travelling and communication expenses	241,193	243,136
Regulatory fee	211,808	301,506
Offices expenses	190,020	213,073
Depreciation (see Note 6)	149,929	-
VAT and other taxes	138,330	108,851
Legal and professional charges	67,792	480,114
Others	46,346	32,735
	28,317,023	20,755,727

* Regional and Head Office cost are apportioned to the Company by the ultimate parent based on the services rendered by the Group.

19 OTHER INCOME

	2023 SR	2022 SR
Special commission income (see Note 10)	2,592,902	1,006,056

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For the year ended 31 December 2023

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments are categorised in the fair value level hierarchy as follows:

31 December 2023	Carrying value	Fair value SR			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	87,772,945	-	-	87,772,945	87,772,945
Due from related parties	53,411,891	-	-	53,411,891	53,411,891
Other receivables and security deposit *	252,614	-	-	252,614	252,614
Financial liabilities					
Due to related parties	30,635,238	-	-	30,635,238	30,635,238
Accrued expenses and other payables**	4,460,230	-	-	4,460,230	4,460,230
Lease liability	369	-	-	369	369

31 December 2022	Carrying value	Fair value SR			Total
		Level 1	Level 2	Level 3	
Financial assets					
Cash and cash equivalents	75,775,469	-	-	75,775,469	75,775,469
Due from related parties	49,959,017	-	-	49,959,017	49,959,017
Other receivables and security deposit *	5,635,580	-	-	5,635,580	5,635,580
Financial liabilities					
Due to related parties	24,398,425	-	-	24,398,425	24,398,425
Accrued expenses and other payables**	5,128,446	-	-	5,128,446	5,128,446
Lease liability	543,540	-	-	543,540	543,540

* Presented under prepayments and other receivables

**Excluding withholding taxes and other payables

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position as at 31 December 2023 and 2022 as these are generally short-term in nature. There were no transfers between levels of fair value hierarchy during the years ended 31 December 2023 and 2022.

21 FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk; and
- Market risk.

The Company's Board of Directors ("BOD") has the overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the BOD on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	2023 SR	2022 SR
Cash and cash equivalents	87,772,945	75,775,469
Due from related parties	53,411,891	49,959,017
Other receivables and refundable deposits*	252,614	5,635,580
	<u>141,437,450</u>	<u>131,370,066</u>

*Presented under prepayments and other receivables

Based on management assessment, the Company has no significant exposure to credit risk due to the following:

- *Cash and cash equivalents* are maintained with banks having sound credit ratings.
- *Due from related parties* is related to agreements with Standard Chartered Bank Group entities which provide for an agreed basis for sharing of revenues on jointly executed projects and recovery of expenses incurred on such projects as approved by the Company's management.
- *Other receivables and security deposit* are accrued special commission receivable and rental deposits which are short-term in nature.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. The Company monitors and manages the liquidity structure of its assets and liabilities so as to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The Company is not exposed to significant liquidity risk as the Company has adequate liquid assets available that exceeded current liabilities by SR 101.23 million as at 31 December 2023 (31 December 2022: SR 99.57 million).

Market risk

Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates may affect either fair values or future cash flows of financial instruments. The Company does not have significant special commission rate risk.

Currency risk

Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is insignificant risk of losses due to exchange rate fluctuation as most of the Company's monetary assets and liabilities are primarily in US dollars which is pegged with the Saudi Riyal.

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22 CAPITAL MANAGEMENT

The capital that the Company is required to hold is determined based on the balance sheet, off – balance sheet, counterparty and other risk exposures that the Company has. Adequate processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios. These processes are designed to ensure that the Company has a sufficient capital available to meet local regulatory capital requirements at all times.

The Capital Market Authority (the “CMA”) has issued Prudential Rules (“the Rules”) dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. On 28 December 2022 (corresponding to 4 Jumada al-Alkhirah 1444H) the CMA’s board issued its resolution approving the amendments to the Prudential Rules (“Amended Rules”), effective from 1 April 2023 (corresponding to 10 Ramadan 1444H).

In accordance with these methodologies, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	2023 SR
Capital Base	
Tier I Capital	101,397,273
Tier II Capital	-
Total Capital Base	<u>101,397,273</u>
Risk weighted asset:	
Credit risk	39,848,941
Market risk	12,099,079
Operational risk	88,525,787
Concentration Risk	1,054,407,376
Total risk weighted asset	<u>1,194,881,183</u>
Capital Adequacy Ratio	
Total Capital Ratio (%)	8.49
Surplus in Capital	5,806,778
	2022 SR
Capital Base	
Tier I Capital	100,604,679
Tier II Capital	-
Total Capital Base	<u>100,604,679</u>
Minimum capital requirement:	
Credit risk	6,715,056
Market risk	918,682
Operational risk	5,188,932
Total minimum capital required	<u>12,822,670</u>
Capital Adequacy Ratio	
Total Capital Ratio (time)	7.85
Surplus in Capital	87,782,009

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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22 CAPITAL MANAGEMENT (continued)

a) Capital Base of the Company comprise of:

Tier -1: consists of the total of share capital, retained earnings and reserves excluding re-measurement of employees' benefit obligation less deferred tax assets.

Tier-2 capital consists of subordinated loans with certain restrictions. The Company does not have any subordinated loans as a result the Company does not have tier-2 capital.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

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

23 EVENTS AFTER THE END OF REPORTING PERIOD

The management of the Company believes that no significant events have occurred subsequent to the year end that may require adjustment to or disclosure in these financial statements.

24 COMPARATIVE FIGURES

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

25 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors has approved these financial statements on 4 Ramadan 1445H (corresponding to 14 March 2024).