

ARCAPITA

Board of Directors' Report 2023

For the period from 16 Feb 2022 to 30
June 2023

26 November, 2023

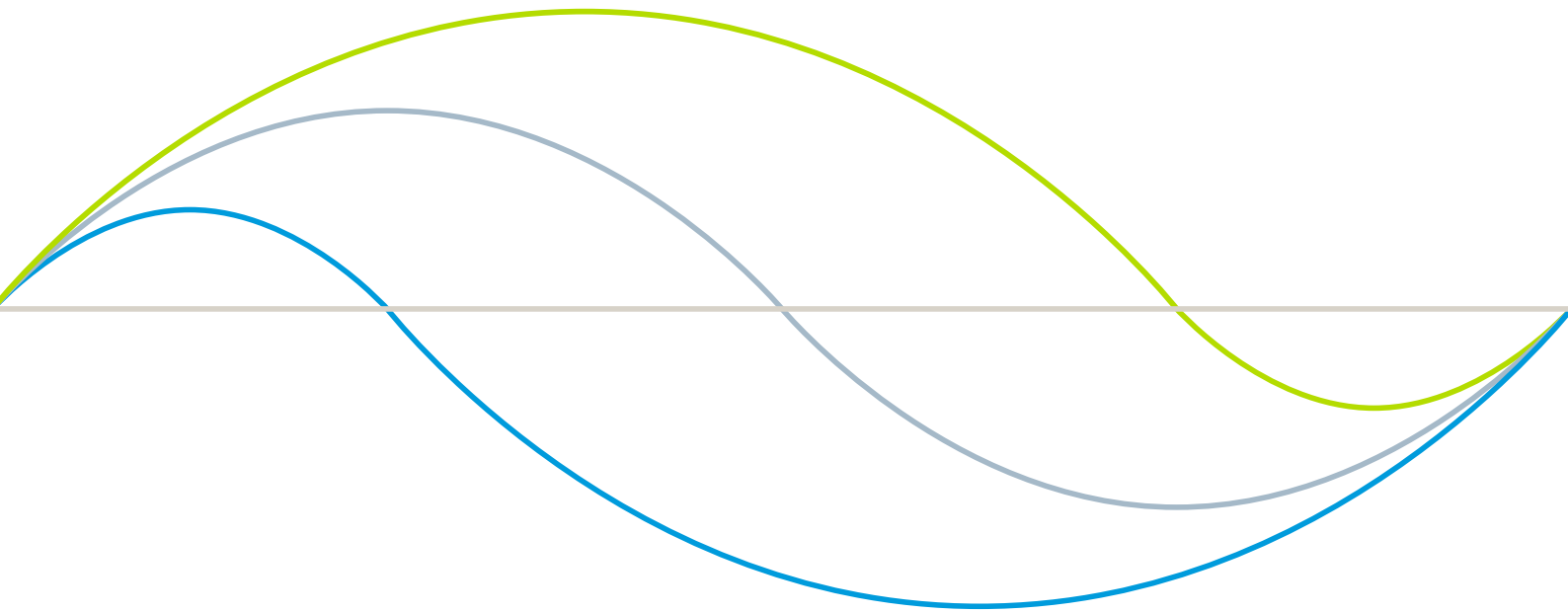


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1. Introduction

The Board of Directors is pleased to present its first report issued for Arcapita Capital Company (“ACC” or “Company”) for the first financial period from 16 February 2022 to 30 June 2023. The report includes information about the Company’s financial and operational performance, in addition to a summary of the business and developments that occurred during that period.

ACC’s paid-up capital is 20 million Saudi riyals and was established as a Single Person - Closed Joint Stock Company in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010781192 issued on 16 February 2022 and Ministry of Investment license number 102114212107660 issued on 12 July 2021. It is subject to the supervision of the Capital Market Authority. The Company is located in Riyadh, Kingdom of Saudi Arabia and provides a range of financial services to individual clients, institutions, and companies.

ACC is fully owned by Arcapita Global Limited (“AGL”). AGL is a fully owned subsidiary of Arcapita Group Holding Limited (“AGHL”). AGHL is the ultimate partner of ACC.

The principal activities of the Company are:

1. Arranging in Securities
2. Advising in Securities
3. Managing Investments and Operating Funds

2. First financial period results and assets & liabilities of the company

SAR '000

16 FEB 2022 TO 30
JUN 2023

Total Value of Asset Under Management	639,405
Gross Revenue	9,318
Total Operating Expenses	11,532
Net Loss	1,843
Total Assets	25,442
Total Liabilities	7,285
Shareholders' Equity	18,157

3. Operational Review and Outlook

3.1. Operational Review

ACC was established on February 16, 2022, and commenced commercial operations on April 24, 2022. Its first financial period has been designated as the period from February 16, 2022, to June 30, 2023.

During its first financial period of operation, the Company focused on setting up its business infrastructure, developing policies and procedures, hiring qualified employees, and developing its products and services.

3.1.1. Setting Up Business Infrastructure:

ACC has established its headquarters in Riyadh, Saudi Arabia. The Company has also designed and implemented policies and procedures to strengthen the control environment and governance framework. Such policies were approved by the Board of Directors during the Company's first financial period.

- Office space was leased at Kingdom Centre, Riyadh
- A Board of Directors consisting of three non-executive directors and two independent directors was appointed. The CMA has approved all appointments.
- The following Board Committees were established with charters:
 - Board Audit Committee
 - Risk and Compliance Committee
 - Nominations and Remuneration Committee
- Policies and procedures, and manuals and plans relating to the following functions were prepared and approved by the Board of Directors:
 - Risk Management Policy
 - Accounting Policy
 - Anti-Money Laundering ("AML") Manual
 - Business Continuity Plan
 - Code of Conduct
 - Compliance Manual
 - Operations Manual
- An independent firm, Protiviti, was appointed as the internal auditors. Protiviti will report directly to the Board Audit Committee.
- Ernst & Young was appointed as the external auditors of the Company.

3.1.2. Human Capital:

The Company recruited experienced and qualified employees. Qualified employees have also been seconded from the Company's affiliate, Arcapita Investment Management B.S.C (c).

Employees	4
Seconded Employees	5
Saudization %	50%

3.1.3. Service Level Agreements (“SLA’s”) with Arcapita Group:

During the year, the Company signed SLAs with Arcapita Group entities to provide necessary expertise and infrastructure.

- Arcapita Global Limited – The SLA provides back-office services including general administration and ad-hoc support services, risk management support services and public relations and corporate communications support.
- Arcapita Investment Partners Limited – The SLA to promote shares in the equity capital of certain AIPL sponsored investments and to assist in identifying potential investment opportunities in the Kingdom of Saudi Arabia for an agreed fee.
- Arcapita Investment Management B.S.C. – The SLA provides employees to serve as full-time employees of ACC to fulfil the role of Chief Executive Officer & Head of Advising Secondment, Head of Arranging, Head of Asset Management, Asset Management Manager and Finance Officer.

3.1.4. Asset Management Activities:

ACC has established its first fund, ARC KSA Logistics Fund III (the “**Fund**”), a private closed-ended Shari’ah-compliant real estate investment fund.

The fund objective is to achieve long term capital appreciation, with periodic dividend income for Unitholders through the direct or indirect acquisition and operation of income-generating properties in the logistics sector. The Fund targets stabilized and built-to-suit industrial properties, primarily in the Kingdom of Saudi Arabia, with the flexibility to invest in properties within other GCC countries.

The Fund has a term of five (5) years from the expiry of the Initial Offering Period, plus two additional one-year extensions subject to obtaining the approval of the fund’s Board of Directors.

As of 30 June 2023, the fund has a net asset value of SAR 639 million. The target equity is SAR 1.9 billion.

Additionally, ACC has received approval from the Capital Market Authority (CMA) to launch a money market fund during June 2023, which ACC will start marketing during the coming year 2024.

3.2. Outlook

3.2.1. KSA III Logistics Fund:

The Fund has a pipeline of potential real estate assets targeted for acquisition. Subsequent to June 30, 2023, the fund issued a second capital call and successfully raised SAR 325 million. These proceeds were utilized to acquire further investment properties located in the UAE for a total purchase price of approximately SAR 306 million in July 2023 (exclusive of real estate tax).

3.2.2. Money Market Fund (MMF):

The Company has launched its first USD private open-ended investment fund with a minimum fund size of USD 10 million.

The aim of the MMF is to achieve periodic returns and capital appreciation by investing in short-term money market securities and Shari’ah-compliant placements.

The MMF is a private investment opportunity that allows investors to invest in a diversified portfolio of Shari’ah-compliant short-term money market securities and investments in the GCC region with the goal of generating a 5.5% return. The offers weekly redemptions, which gives investors flexibility to access their funds.

ACC has started to market the product to potential investors, and it is expected that the offering period will commence in Q1 2024.

4. Board of Directors

The following table provides the names of the members of the ACC Board of Directors as of 30 June 2023.

NAME	MEMBERSHIP
ABDULAZIZ HAMAD ALJOMAIH	Non-executive Director & Chairman of the Board
ABDULRAHMAN ABDULAZIZ ALMUHANNA	Non-executive Director & Vice-Chairman of the Board
HISHAM ABDULRAHMAN ALRAEE	Non-executive Director
ABDULAZIZ ABDULLA ALMANIE	Independent Board Member
MOHAMED ABDULLA NOORUDDIN	Independent Board Member

ACC has five board members including two independent members, which were appointed by the shareholders of the Company and approved by the CMA.

4.1. Membership of Other Boards

Members of the Board of Directors also sit on the board of other organizations or hold management positions in other entities. The details are disclosed in "Appendix A" and "Appendix B" of this report.

4.2. Board Meetings

The Board of Directors of ACC held 5 meetings of the Board during the year. The dates of the meetings and the members present are as follows:

DIRECTORS' NAME	MEETING DATES				
	Jun 8 2022	Sep 7 2022	Dec 12 2022	Apr 5 2023	Jun 23 2023
ABDULAZIZ HAMAD ALJOMAIH	Present	Present	Present	Present	Present
ABDULRAHMAN ABDULAZIZ ALMUHANNA	Present	Present	Present	Present	Present
HISHAM ABDULRAHMAN ALRAEE	Present	Present	Present	Present	Present
ABDULAZIZ ABDULLA ALMANIE	Present	Present	Present	Present	Present
MOHAMED ABDULLA NOORUDDIN	Present	Present	Present	Present	Present

4.3. Board Committees:

Details of the various Board Committees and a summary of their terms of reference and responsibilities are as follows:

4.3.1. Board Audit Committee:

The main objectives of the Board Audit Committee include the following:

- Review of Company's accounting policies, integrity of the Company's financial statements and effectiveness of internal controls.
- Recommend & approve the appointment, compensation, and oversight of the Company's external auditors.
- Recommend the appointment of the internal auditors and review internal audit observations and recommendations.
- Review of Company's compliance procedures, regulatory matters and risk management framework including systems, processes, and limits.

Dates of meetings:

DIRECTORS' NAME	MEETING DATE
	May 11 2023
MOHAMED ABDULLA NOORUDDIN (Chairman)	Present
HISHAM ABDULRAHMAN ALRAEE	Present
ABDULAZIZ ABDULLA ALMANIE	Present

4.3.2. Risk & Compliance Committee:

The main objectives of the Risk & Compliance Committee include the following:

- Assist the Board of Directors in its oversight of the organization's risk management and compliance programs.
- Ensure that the organization has a comprehensive and effective risk management framework in place to identify, assess, monitor, and manage all material risks.
- Oversee the organization's compliance with applicable laws, regulations, and industry standards.
- Promote a strong risk culture and ethical behavior throughout the organization.

Dates of meetings:

DIRECTORS' NAME	MEETING DATE
	May 11 2023
HISHAM ABDULRAHMAN ALRAEE (Chairman)	Present
ABDULAZIZ ABDULLA ALMANIE	Present
MOHAMED ABDULLA NOORUDDIN	Present

- The CEO Muhannad Buhindi and the compliance officer Sakher Alflyh (Resigned effective June 22, 2023) are part of the Risk Compliance committee.

4.3.3. Nominations and Remuneration Committee:

The main objective of this committee includes the following:

- Make recommendations to the Board of Directors on the appointments of the Board of Directors, CEO, and senior executives.
- Annual review of the requirements for appropriate skills for the membership of the Board of Directors.
- Review the structure of the Board of Directors and make recommendations to make the required changes to the Board.
- Ensuring annually that independent members remain independent, establishing clear policies for compensation.
- Recommending remuneration of the Board members and senior executives, and that performance standards are followed in their formulation.

Dates of meetings:

DIRECTORS' NAME	MEETING DATE
	May 11 2023
ABDULRAHMAN ABDULAZIZ ALMUHANNA (Chairman)	Present
HISHAM ABDULRAHMAN ALRAEE	Present
MOHAMED ABDULLA NOORUDDIN	Present

4.4. Remuneration paid to the Directors and five senior executives

The following table provides full details of the Board of Directors' remuneration and compensation (Amounts in SAR):

DESCRIPTION	EXECUTIVE BOARD MEMBERS	NON-EXECUTIVE BOARD MEMBERS	INDEPENDENT BOARD MEMBERS
ATTENDANCE ALLOWANCE FOR THE BOARD MEETINGS	-	75,000	50,000
ATTENDANCE ALLOWANCE FOR COMMITTEE MEETINGS	-	20,000	25,000
PERIODIC AND ANNUAL BONUSES	-	-	-
INCENTIVE PLANS	-	-	-
ANY OTHER COMPENSATION OR BENEFITS IN KIND PAID MONTHLY OR ANNUALLY	-	300,000	200,000
TOTAL	-	395,000	275,000

The following table provides details of compensation and senior management:

DESCRIPTION	FIVE TOP EXECUTIVES WHO RECEIVED THE HIGHEST BONUSES AND COMPENSATION, PLUS THE CHIEF EXECUTIVE OFFICER (CEO) AND THE CHIEF FINANCIAL OFFICER (CFO), IF NOT INCLUDED
SALARIES AND WAGES (BASIC SALARY)	SAR 1,601,495
ALLOWANCES (HOUSING, TRANSPORTATION, ETC.)	SAR -
PERIODIC AND ANNUAL BONUSES	SAR -
INCENTIVE PLANS	SAR -
COMMISSIONS	SAR -
ANY COMPENSATION OR OTHER BENEFITS IN KIND PAID ON A MONTHLY OR ANNUAL BASIS	SAR 112,886
TOTAL	SAR 1,714,381

4.5. Waiver of remuneration by a Board member or a Senior Executive

There were no waivers from the members of the Board of Directors or senior executives of any bonuses and compensation.

4.6. Directors interest in contracts

Abdulaziz Hamad AlJomaih

- The Chairman of the Board of Directors Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited.
- Managing Director of Pergola Holding, Inc. which owns 22.73% of the voting shares of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited, respectively.
- Owns Oxy Investments, which owns 1.46% of the voting shares of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited, respectively.

Abdulrahman Abdulaziz AlMuhanna:

- A Board of Director of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited.
- Owns 3.64% of the voting shares of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited respectively.
- In addition, his family members own 11.2% of the voting shares of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited respectively.

Hisham Abdulrahman AlRae:

- Deputy CEO of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited.
- Owns Al Rae Investment W.L.L, which owns 1.13% of the voting shares of Arcapita Investment Management B.S.C.(c) and Arcapita Group Holdings Limited respectively.

ACC has a contract agreement with the following entities which are owned by the ultimate parent Arcapita Group Holding Company:

- 1- Arcapita Global
- 2- AIPL

Arcapita Investment management has a secondment agreement with ACC.

Details of those agreement are disclosed in section 11 – Related party transactions.

5. Arcapita Capital Company subsidiaries

The Company does not have any subsidiary or branch either inside or outside the Kingdom.

6. Penalty or restriction imposed on the Company

There were no penalties or restrictions imposed by any regulatory or judicial body except for the penalty imposed by the Ministry of Municipality of SAR 5,000 for not issuing the Municipality License on time. In addition, there were some breaches notified by the CMA related to the following:

1. ACC was late in notifying the Authority about the change in the Company name.
2. ACC was late in the submission of May 2023 capital adequacy model within the CMA specified time.

7. Results of the internal audit of the company

7.1. Internal Audit

Internal audit is one of the processes by which the Board ensures that all functions of the company are independently examined, and internal control weaknesses are identified, and corrective action taken. The company has appointed Protiviti as the company internal auditors.

Protiviti will report directly to the Board Audit Committee. The internal auditors will prepare a risk-based audit program to cover all critical aspects of the company's operations.

During the current financial period no internal audit was undertaken as it was the company's first financial period.

8. Major observations in the external auditor's report

The company's first financial statements were subjected to annual audit by the external auditors (Ernst & Young) of the company. The auditor's report did not contain any reservation on the annual financial statements.

9. Major risks faced by the Company

The Company's activities expose it to a variety of financial risks that include:

9.1. Credit risk

Credit risk is the risk of suffering financial loss should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from bank balances, trade receivables and amounts due from related parties.

- Risk management

Credit risk is the single largest risk for the Company's business; therefore, the management carefully manages its exposure to credit risk. The credit risk management and control are centralized in a credit management team which reports regularly to the Board of Directors and head of each business unit.

- Impairment of financial assets

The Company has the following types of financial instruments that are subject to expected credit loss:

- Bank balances; and
- Trade and other receivables - receivable from related parties.
- Trade receivables

The Company applies the simplified approach for measuring ECL for trade receivables which uses a lifetime expected loss allowance.

- Financial assets at amortized cost

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortized cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance increase in credit risk since origination will be based on the lifetime ECL. For due from related parties, the Company applies the simplified approach.

9.2. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Deposits are generally placed for short periods to manage the Company's liquidity requirements.

All liabilities on the Company's statement of financial position, other than end of service benefits, are contractually payable on a current basis. Liquidity risk at an investment fund level is being managed through appropriate liquidity limits and is monitored for each fund.

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

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

9.3. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk.

9.4. Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

10. Related Party Transactions

The company has not entered any significant transactions (business or contracts) with any member of the Board, Senior executives, Chief Financial Officer, or any person related to any of them other than those disclosed below.

Related Party Transactions

Related parties represent shareholders, funds managed by the Company, entities controlled, jointly controlled, or significantly influenced by such parties, key management personnel and the Board of Directors.

The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

Following are the details of related parties and their relationship with the Company:

RELATED PARTIES	RELATIONSHIP
Arcapita Global Limited	Parent
Arcapita Investment Partners Limited	Owned by Ultimate Parent
Arcapita Investment Management B.S.C	Owned by Ultimate Parent
Arcapita KSA Logistics Fund III	Fund managed by the Company
Board of Directors ("BOD")	BOD
Key Management Personnel	Executives

The following are the major related party transactions that have occurred during the period:

RELATED PARTIES	NATURE OF TRANSACTIONS	AMOUNTS OF TRANSACTIONS (SAR '000)
Arcapita Global Limited	Service charge expense	38
Arcapita Investment Partners Limited	Arranging fees	3,934
Arcapita Investment Management B.S.C	Secondment of staff expense	6,900
Arcapita KSA Logistics Fund III	Management fee	4,245
Arcapita KSA Logistics Fund III	Acquisition fee	7,075
Board of Directors ("BOD")	Remuneration	715
Key Management Personnel	Remunerations & benefits	6,429

Amount due from a related party.

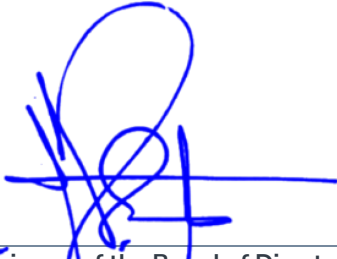
RELATED PARTIES	AMOUNTS OF TRANSACTIONS (SAR '000)
ARCAPITA KSA LOGISTICS FUND III	4,245

Amount due to a related party.

RELATED PARTIES	AMOUNTS OF TRANSACTIONS (SAR '000)
ARCAPITA GLOBAL LIMITED	3,457

11. Details of loans of the company

ACC has no loans.



Chairman of the Board of Directors
Arcapita Capital Company
Abdulaziz Hamad Aljomaih

Appendix A - Board membership in other companies

DIRECTORS' NAME	BOARD MEMBERSHIP IN OTHER COMPANIES
ABDULAZIZ HAMAD ALJOMAIH	Arcapita Investment Management B.S.C.(c) Arcapita Group Holdings Limited AUomaih Holding Co. Pergola Holding Inc. Oxy Investments
ABDULRAHMAN ABDULAZIZ ALMUHANNA	Arcapita Investment Management B.S.C.(c) Arcapita Group Holdings Limited Saudi Kuwait Finance House
ABDULAZIZ ABDULLA ALMANIE	None
MOHAMED ABDULLA NOORUDDIN	Bahrain Islamic Bank B.S.C. Newbury Investments WLL
HISHAM ABDULRAHMAN ALRAEE	Al Rae Investment W.L.L Arcapita Management Limited Arcapita Investment Partners Limited AIM Group Limited AGL Bahrain W.L.L AHLF Holdings Limited AHP Management Limited Aim Bahrain Limited AIPP Limited ARC AMC WCF Limited ARC Fintech Portfolio I Capital II Limited ARC Fintech Portfolio I Capital III Limited ARC Fintech Portfolio I Capital IV Limited ARC Fintech Portfolio I Capital Limited ARC Fintech Portfolio I Holding Company Limited ARC Fintech Portfolio I Holdings Limited ARC Fintech Portfolio I Investments Limited ARC Healthcare I Capital Limited ARC Healthcare I Investments Limited ARC Investments 1 SPV Limited ARC Logistics Portfolio IV Holdings Limited ARC Logistics IV SPV 1 Limited ARC Logistics IV SPV 2 Limited ARC Logistics Portfolio II Capital Limited ARC Logistics Portfolio II Equity Limited ARC Logistics Portfolio II Holding Company Limited ARC Logistics Portfolio II Holdings Limited ARC Logistics Portfolio III Capital Limited ARC Logistics Portfolio III Holding Company Limited ARC Logistics Portfolio III Holdings Limited ARC Logistics Portfolio III Investments Limited

DIRECTORS' NAME	BOARD MEMBERSHIP IN OTHER COMPANIES
	ARC Logistics Portfolio IV Capital Limited
	ARC Logistics Portfolio IV Holding Company Limited
	ARC Logistics Portfolio IV Investments Limited
	ARC Logistics Portfolio V Capital Limited
	ARC Portfolio III SPV Limited
	ARC PSV Acquisitions Limited
	ARC PSV Capital I Limited
	ARC PSV Capital II Limited
	ARC PSV Capital III Limited
	ARC PSV Capital IV Limited
	ARC PSV Holding Company Limited
	ARC PSV Holdings Limited
	ARC PSV Investments Limited
	ARC UK Industrial Portfolio I Capital I Limited
	ARC UK Industrial Portfolio I Capital II Limited
	ARC UK Industrial Portfolio I Capital III Limited
	ARC UK Industrial Portfolio I Cayman HoldCo Limited
	ARC UK Industrial Portfolio I FinCo
	ARC UK Industrial Portfolio I GP Limited
	ARC UK Industrial Portfolio I Holdings Limited
	ARC US AMC Capital I Limited
	ARC US AMC Capital II Limited
	ARC US AMC Capital III Limited
	ARC US AMC Capital IV Limited
	ARC US AMC Holding Company Limited
	ARC US AMC Holdings Limited
	ARC US Harmonics Capital Limited
	ARC US Harmonics Holding Company Limited
	ARC US Harmonics Holdings Limited
	ARC US Harmonics Investment Holdings Limited
	ARC US Industrial Portfolio IV Capital I Limited
	ARC US Industrial Portfolio IV Capital II Limited
	ARC US Industrial Portfolio IV Capital III Limited
	ARC US Industrial Portfolio IV Holdings Limited
	ARC US Industrial Portfolio IV Investment Holdings Limited
	ARC US Industrial Portfolio IV Investment Holdings Limited
	ARC US Industrial Portfolio V Capital I Limited
	ARC US Industrial Portfolio V Capital II Limited
	ARC US Industrial Portfolio V Capital III Limited
	ARC US Industrial Portfolio V Capital IV Limited
	ARC US Industrial Portfolio V Capital V Limited
	ARC US Industrial Portfolio V Capital VI Limited
	ARC US Industrial Portfolio V Holdings Limited
	ARC US Industrial Portfolio V Investment Holdings Limited
	ARC US Industrial Portfolio VI ARC Holdings Limited
	ARC US Industrial Portfolio VI Capital I Limited
	ARC US Industrial Portfolio VI Holdings Limited
	ARC US Industrial Portfolio VII Capital I Limited
	ARC US Industrial Portfolio VII Capital II Limited

DIRECTORS' NAME	BOARD MEMBERSHIP IN OTHER COMPANIES
	ARC US Industrial Portfolio VII Holding Company Limited
	ARC US Industrial Portfolio VII Holdings Limited
	ARC US Industrial Portfolio VIII Capital I Limited
	ARC US Industrial Portfolio VIII Capital II Limited
	ARC US Industrial Portfolio VIII Capital III Limited
	ARC US Industrial Portfolio VIII Capital IV Limited
	ARC US Industrial Portfolio VIII Holding Company Limited
	ARC US Industrial Real Estate II Limited
	ARC US Industrial Real Estate III Capital Limited
	ARC US Logistics Cayman Holdings Limited
	ARC US Logistics Equity Limited
	ARC US Logistics Funding Limited
	ARC US NDT Capital I Limited
	ARC US NDT Capital II Limited
	ARC US NDT Capital III Limited
	ARC US NDT Capital IV Limited
	ARC US NDT Holding Company Limited
	ARC US NDT Holdings Limited
	ARC US NDT WCF Limited
	ARC US Senior Living WCF Limited
	ARC US Student Housing I Capital I Limited
	ARC US Student Housing I Capital II Limited
	ARC US Student Housing I Capital III Limited
	ARC US Student Housing I Capital IV Limited
	ARC US Student Housing I Capital V Limited
	ARC US Student Housing I Holdings Limited
	ARC US Student Housing I Investment Holdings Limited
	ARC US Student Housing II Capital I Limited
	ARC US Student Housing II Capital II Limited
	ARC US Student Housing II Capital III Limited
	ARC US Student Housing II Capital IV Limited
	ARC US Student Housing II Capital V Limited
	ARC US Student Housing II Holdings Limited
	ARC US Student Housing II Investment Holdings Limited
	Arcapita Agency Limited
	Arcapita Funding Limited
	Arcapita Global Limited
	Arcapita Investment Limited
	El Mar UK Industrial Portfolio I Capital Limited
	El Mar US Industrial Real Estate Capital Limited
	El Mar US Industrial Real Estate II Capital Limited
	El Mar US Student Housing Limited
	HealthServ Capital Limited
	HealthServ Holding Company Limited
	HealthServ Holdings Limited
	KSA Logistics Capital Limited
	KSA Logistics Holding Company Limited
	KSA Logistics Holdings Limited

DIRECTORS' NAME	BOARD MEMBERSHIP IN OTHER COMPANIES
	KSA Logistics III Capital II Limited
	KSA Logistics III Capital III Limited
	KSA Logistics III Capital Limited
	KSA Logistics III Holding Company Limited
	KSA Logistics III Holdings Limited
	KSA Logistics III Investments Limited
	KSA Logistics Investments Limited
	KSAFitness Capital Limited
	KSAFitness Holding Company Limited
	KSAFitness Holdings Limited
	KSAFitness Investments Limited
	KSAFitness WCF Limited
	NuYu for Sports
	SBA Capital II Limited
	SBA Capital Limited
	SBA Holding Company Limited
	SBA Holdings Limited
	Senior Living Capital I Limited
	Senior Living Capital II Limited
	Senior Living Capital III Limited
	Senior Living Capital IV Limited
	Senior Living Capital V Limited
	Senior Living Capital VI Limited
	Senior Living Holdings Limited
	Senior Living VI Capital I Limited
	Senior Living VI Capital II Limited
	Senior Living VI Capital III Limited
	Senior Living VI Capital IV Limited
	Senior Living VI Capital V Limited
	Senior Living VI Capital VI Limited
	Senior Living VI Holdings Limited
	Senior Living VII ARC Holdings Limited
	Senior Living VII Capital I Limited
	Senior Living VII Capital II Limited
	Senior Living VII Capital III Limited
	Senior Living VII Capital IV Limited
	Senior Living VII Capital V Limited
	Senior Living VII Capital VI Limited
	Senior Living VII Holdings Limited
	Strategic Investors Facility II (2024) Limited
	Strategic Investors Facility III (2024) Limited
	Strategic Investors Facility III (2026) Limited
	Strategic Investors Facility IV (2025) Limited
	Strategic Investors Facility Limited
	Strategic Investors Facility V (2024) Limited
	Strategic Investors Facility V (2026) Limited

DIRECTORS' NAME	BOARD MEMBERSHIP IN OTHER COMPANIES
	Strategic Investors Facility V (2028) Limited
	UAE Logistics Capital II Limited
	UAE Logistics Capital Limited
	UAE Logistics Holding Company Limited
	UAE Logistics Holdings Limited
	US Harmonics GP Intermediate Holdings Limited
	US Signage Capital I Limited
	US Signage Capital II Limited
	US Signage Capital III Limited
	US Signage Capital III Limited
	US Signage Capital IV Limited
	US Signage Capital V Limited
	US Signage GP Intermediate Holdings Limited
	US Signage Holding Company Limited
	US Signage Holdings Limited
	US Signage Investment Holdings Limited
	Whitewood US Industrial Real Estate Limited
	Whitewood US Student Housing Limited

Appendix B – Management position in other Companies

DIRECTORS' NAME	MANAGEMENT POSITION IN OTHER COMPANIES
ABDULAZIZ HAMAD ALJOMAIH	None
ABDULRAHMAN ABDULAZIZ ALMUHANNA	None
HISHAM ABDULRAHMAN ALRAEE	Arcapita Investment Management B.S.C.(c) – Deputy CEO Arcapita Group Holdings Limited – Deputy CEO
ABDULAZIZ ABDULLA ALMANIE	None
MOHAMED ABDULLA NOORUDDIN	None

Financial Statements

For the period from 16 Feb 2022 to 30
June 2023

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by
One Person)

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

FOR THE PERIOD FROM 16 FEBRUARY 2022 TO 30
JUNE 2023

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
30 JUNE 2023

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INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Arcapita Capital Company
(A Foreign Closed Joint Stock Company- Owned by One Person)

Opinion

We have audited the financial statements of Arcapita Capital Company (the "Company"), which comprise the statement of financial position as at 30 June 2023, and the statement of comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the period from 16 February 2022 to 30 June 2023 ("the period"), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2023, and its financial performance and its cash flows for the period 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 this 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholder of Arcapita Capital Company
(A Foreign Closed Joint Stock Company- Owned by One Person)

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

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

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

for Ernst & Young Professional Services

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



Riyadh: 14 Jumada Al-Ula 1445H
(28 November 2023)

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Notes</i>	30 June 2023 SR
ASSETS		
Cash and cash equivalents	5	8,999,740
Mudaraba deposit	6	10,000,000
Accounts receivables, prepayments and other receivables	7	4,756,189
Right-of-use asset	8	630,899
Property and equipment	9	1,055,165
TOTAL ASSETS		25,441,993
LIABILITIES		
Accounts payable, accrued expenses and other payables	10	3,382,775
Amount due to a related party	11	3,457,063
Lease liability	8	444,791
TOTAL LIABILITIES		7,284,629
SHAREHOLDER EQUITY		
Share capital	13	20,000,000
Accumulated losses		(1,842,636)
TOTAL SHAREHOLDER EQUITY		18,157,364
TOTAL LIABILITIES AND SHAREHOLDER EQUITY		25,441,993

The attached notes 1 to 24 form part of these financial statements.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

STATEMENT OF COMPREHENSIVE INCOME

For the period from 16 February 2022 to 30 June 2023

	<i>Notes</i>	<i>SR</i>
REVENUE		
Arranging fees	14	3,934,087
Acquisition fee	14	2,769,625
Management fees	14	2,614,764
TOTAL REVENUE		<u>9,318,476</u>
EXPENSES AND OTHER INCOME		
Salaries and other employees' related expenses		(8,147,382)
General and administration expenses	15	(3,384,438)
TOTAL EXPENSES		<u>(11,531,820)</u>
OPERATING LOSS		(2,213,344)
Profit on mudaraba deposit	10	370,708
LOSS BEFORE INCOME TAX		<u>(1,842,636)</u>
Income tax expense	11	-
LOSS FOR THE YEAR		<u>(1,842,636)</u>
Other comprehensive income		-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(1,842,636)</u>

The attached notes 1 to 24 form part of these financial statements.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the period from 16 February 2022 to 30 June 2023

	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Issuance of share capital (note 13)	20,000,000		20,000,000
Loss for the period	-	(1,842,636)	(1,842,636)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(1,842,636)	(1,842,636)
At 30 June 2023	<u>20,000,000</u>	<u>(1,842,636)</u>	<u>18,157,364</u>

The attached notes 1 to 24 form part of these financial statements.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

STATEMENT OF CASH FLOWS

For the period from 16 February 2022 to 30 June 2023

	<i>Notes</i>	SR
OPERATING ACTIVITIES		
Loss before tax		(1,842,636)
<i>Adjustments to reconcile loss before income tax to net cash flows::</i>		
Depreciation of property and equipment	9	198,290
Depreciation of right-of-use asset	8	234,334
Finance charge on lease liabilities	8	20,214
		(1,389,798)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivables, prepayments and other receivables	7	(4,756,189)
Amount due to a related party	11	3,457,063
Accounts payable, accrued expenses and other payables	10	3,382,775
Net cash from operating activities		693,851
INVESTING ACTIVITIES		
Purchase of property and equipment	9	(1,253,455)
Mudaraba deposit		(10,000,000)
Net cash used in investing activities		(11,253,455)
FINANCING ACTIVITIES		
Issuance of share capital	13	20,000,000
Lease liability paid	8	(440,657)
Net cash from financing activities		19,559,343
Net increase in cash and cash equivalents during the period		8,999,740
Cash and cash equivalents at the beginning of the period	5	-
Cash and cash equivalents at the end of the period		8,999,740
Non-cash transaction:		
Addition of right-of-use asset and lease liability		865,233

The attached notes 1 to 24 form part of these financial statements.

Arcapita Capital Company

(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS

At 30 June 2023

1. GENERAL

Arcapita Capital Company (the "Company") is a Foreign Closed Joint Stock Company owned by a one person and is incorporated in Kingdom of Saudi Arabia with commercial registration number 1010781192 dated 15/7/1443H (corresponding to 16 February 2022).

The Company's principal activities according to the Capital Market Authority license numbered 32-22237 and dated 18/05/1443H (corresponding to 22 December 2021) are summarized as follows:

- 1.1. Arranging in securities;
- 1.2. Advising in securities; and
- 1.3. Managing investments and operating funds.

The Company is a subsidiary of Arcapita Global Limited, a company incorporated in Cayman Islands, which is the sole shareholder in the Company. The ultimate parent of the Company is Arcapita Group Holding Limited which is incorporated in Bahrain.

The Company registered office:
P.O. Box 22390, Riyadh 12214
Kingdom Tower, King Fahad Road
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The Company presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 16.

The financial statements are the Company's first financial statements which covers the long period from 16 February 2022 (date of commercial registration) to 30 June 2023 and hence no comparative figures are presented.

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention.

2.3 Functional and presentation currency

The Company's financial statements are presented in Saudi Riyals ("SR"), which is also the Company's functional currency.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, 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 disclosures, and the disclosure of contingent liabilities. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These judgments, estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key judgments, estimates and assumptions that have a significant impact on the financial statements of the Company are discussed below:

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it 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, these financial statements are prepared on the going concern basis.

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

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

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

The Company included the renewal period as part of the lease term for lease of its office commercial space with shorter non-cancellable period (i.e., three to five years).

Estimations and assumptions

Leases - Estimating the incremental borrowing rate

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

Useful lives of property and equipment

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

Impairment of non-financial assets

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

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimations and assumptions (continued)

Employees' defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on publicly available mortality tables for the specific country. Those mortality tables tend to change only at intervals in response to demographic changes.

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements.

4-1 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") which is Saudi Riyals ("SR").

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

4-2 Cash and cash equivalent

Cash and cash equivalent comprise of cash in hand and bank balances.

4-3 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter of their estimated useful lives and lease term.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-3 Property and equipment (continued)

The estimated useful lives of the property and equipment for the calculation of depreciation are as follows:

<i>Description</i>	<i>Number of years</i>
Leasehold improvements	2
Computers and equipments	3
Furniture and fixtures	5
Motor vehicles	4

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

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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the statement of statement of comprehensive income and other comprehensive income when the asset is derecognized.

4-4 Impairment of non-financial assets

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

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

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

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

4-5 Financial instruments

Initial recognition - financial assets and financial liabilities

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

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-5 Financial instruments (continued)

Financial assets

Initial measurement

At initial recognition, except for the accounts receivables and other assets which do not contain a significant financing component, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets at fair value through profit or loss are expensed in the statement of comprehensive income.

The accounts receivables and other assets that do not contain a significant financing component are measured at the transaction price.

Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- a) those to be measured subsequently at fair value (either through other profit or loss and other comprehensive income or through profit or loss); and
- b) those to be measured subsequently at amortized cost.

The classification depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows.

Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate ("EIR") method, less impairment (if any). The amortization is included in commission income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income.

Financial assets at amortized cost (continued)

The Company classifies bank balances, accounts receivable, other receivables, amounts due from related parties and term deposit as financial assets at amortized cost.

Derecognition

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

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-5 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

Financial liabilities

Initial measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or payables (measured at amortized cost), as appropriate.

All financial liabilities are recognized initially at fair value net of directly attributable transaction costs.

Classification and subsequent measurement

An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for:

- a) financial liabilities at fair value through profit or loss;
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- c) financial guarantee contracts;
- d) commitments to provide a loan at a below-market interest rate; and

Classification and subsequent measurement (continued)

e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in the statement of comprehensive income.

The Company's financial liabilities include accounts payable, accrued expenses and other payables. All the Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

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

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-5 Financial instruments (continued)

Financial liabilities (continued)

Derecognition

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

Offsetting of financial instruments

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

4-6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable 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 or liabilities that can be accessed at the measurement date.
- Level 2: Inputs other than quoted prices 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).

4-7 Trade and other payables

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

4-8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income, net of any reimbursements.

If the effect of the time value of money is material, provisions are discounted using a risk-adjusted rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4-9 Tax

Tax is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognized in the statement of comprehensive income.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-10 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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.

Long-term employee benefits

Employees' defined benefit liabilities

The Company operates a defined benefit plan under the Saudi Arabian Law applicable based on employees' accumulated periods of service at the statement of financial position date. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method as per IAS 19.

The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method adopted by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the statement of financial position date. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to other reserves through other comprehensive income in the period in which these occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of comprehensive income on the earlier of:

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resulting gain or loss is recognized in statement of comprehensive income during the period in which the settlement or curtailment occurs.

4-11 Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company's By-laws, the Company must transfer 10% of its annual net profit to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

4-12 Leases

The Company as a lessee

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

i) Right-of-use asset

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

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

The right-of-use asset is also subject to impairment.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-12 Leases (continued)

ii) Lease liability

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4-13 Revenue recognition

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Revenue should only be recognized for a performance obligation satisfied over time if the Company can reasonably measure its progress towards complete satisfaction. The Company must have reliable information that can be applied to an appropriate method of measuring progress to meet this objective. When the Company cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, it recognises revenue only to the extent of the costs until a reliable measure of progress can be made.

Income from asset management activities

Income from management fees

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-13 Revenue recognition (continued)

Fees charged for managing investment funds are recognized as revenue as the services are provided, based on the applicable service contracts. Such management fees are presented net of rebates and generally calculated as a percentage of net assets of respective funds. Income from management fees is recognized over time.

Income from acquisition activities

Income from acquisition activities represents fees charged to the fund under management against the properties arranged for the fund. Income from acquisition activities is recognized in the statement of comprehensive income when the respective services are rendered (i.e., related performance obligation is satisfied) to the customers. Such management fees are presented net of rebates. Income from management fees is recognized point in time.

Income from arranging fees

Income from arranging fees is recognized in the statement of comprehensive income when the respective services are rendered (i.e. related performance obligation is satisfied) to the customers (note 11). Income from arranging fees is recognized over time.

Profit from Mudaraba income

Profit from Mudaraba income is recognized in the statement of comprehensive income based on EIR on a time proportionate basis, as the services are rendered. Profit from Mudaraba income is recognized over time.

4-14 Expenses

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

4-15 Fiduciary assets

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

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

5. CASH AND CASH EQUIVALENTS

	<i>30 June 2023</i>
	<i>SR</i>
Cash in hand	5,000
Bank balances	8,994,740
	<u>8,999,740</u>

All bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions and there has been no history of default with any of the Company's bank balances.

6. MUDARABA DEPOSIT

Mudaraba deposits represent deposits with local bank which have a maturity greater than three months but less than one year. The average profit rate on these mudaraba deposits was 5.5 % per annum. Profit on mudaraba deposits during the period ended 30 June 2023 amounting to SR 370,708 is recognised in statement of comprehensive income.

7. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	<i>30 June 2023</i>
	<i>SR</i>
Management fees receivable from a related party (note 11)	4,244,747
Prepaid expenses	335,151
Accrued profit on mudaraba deposit	139,792
Others	36,499
	<u>4,756,189</u>

8. RIGHT OF USE ASSET AND LEASE LIABILITY

The Company has lease contract for an office with a lease term of 2 years.

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

	<i>30 June 2023</i>
	<i>SR</i>
Additions	865,233
Depreciation	(234,334)
At the end of the period	<u>630,899</u>

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

	<i>30 June 2023</i>
	<i>SR</i>
Additions	865,233
Accretion of finance charges	20,214
Payment during the period	(440,656)
At the end of the period	<u>444,791</u>

The maturity analysis of the Company's lease liability is disclosed in note 16.

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

Arcapita Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

8. RIGHT OF USE ASSET AND LEASE LIABILITY (continued)

	<i>For the period from 16 Feb 2022 to 30 June 2023 SR</i>
Depreciation expense on right-of-use asset	234,334
Finance charges on lease liability	20,214
	<u>254,548</u>

9. PROPERTY AND EQUIPMENT

<i>30 June 2023</i>	<i>Leasehold improvements SR</i>	<i>Computers and equipments SR</i>	<i>Furniture and fixtures SR</i>	<i>Motor vehicles SR</i>	<i>Total SR</i>
<i>Cost:</i>					
Additions	694,500	204,298	76,483	278,174	1,253,455
At 30 June 2023	<u>694,500</u>	<u>204,298</u>	<u>76,483</u>	<u>278,174</u>	<u>1,253,455</u>
<i>Accumulated depreciation:</i>					
Charge for the period	42,940	87,371	12,344	55,635	198,290
At 30 June 2023	<u>42,940</u>	<u>87,371</u>	<u>12,344</u>	<u>55,635</u>	<u>198,290</u>
<i>Net book amounts:</i>					
At 30 June 2023	<u>651,560</u>	<u>116,927</u>	<u>64,139</u>	<u>222,539</u>	<u>1,055,165</u>

10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	<i>30 June 2023 SR</i>
Accruals against waiver of acquisition and management fees (note 14)	1,690,358
Accrued expenses	912,415
Value added Tax (VAT) payable	515,705
Employees related accruals	224,837
Other payables	39,460
	<u>3,382,775</u>

Terms and conditions of the above financial liabilities are as follows:

- Accounts payables are non-interest bearing and are normally settled on 30 – 90 days terms.
- Other payables are non-interest bearing and have an average payment term of six months.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties represent shareholder, funds managed by the Company, entities controlled, jointly controlled or significantly influenced by such parties, key management personnel and Board of Directors.

Arcapita Capital Company
(A Foreign Closed Joint Stock Company - Owned by One Person)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

11. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The following are the major related party transactions that have occurred during the period:

<i>Related Parties</i>	<i>Type</i>	<i>Nature of transactions</i>	<i>Amounts of transactions Period from 16 Feb 2022 to 30 June 2023 SR</i>
Arcapita Global Limited	Parent	Service charges	(37,500)
Arcapita Investment Partners Limited	Owned by Ultimate Parent	Arranging fees earned*	3,934,087
Arcapita Investment Management B.S.C	Owned by Ultimate Parent	Secondment of staff	(6,900,943)
Arcapita KSA Logistics Fund III	Fund managed by the Company	Management fee earned (note 14.2) Acquisition fee earned (note 14.1)	4,244,747 7,075,000
Board of Directors ("BOD")	BOD	Remuneration	715,000
Key management personnel	Executive	Remunerations & benefits**	6,428,928

*The Company has an agreement for the provision of marketing services in Saudi Arabia on behalf of Arcapita Investment Partners Limited. Arranging fees is recognised when expenses are incurred and is measured in accordance with the service level agreement with the related party. As per the agreement, the related party have agreed to reimburse the expenses incurred/accrued by the Company plus a mark-up for providing support services to the related parties. Accordingly, revenue is recognized over time in the amount to which the Company has the right to invoice.

** The amount is included in the Secondment of staff presented on the related parties transactions above.

Prices and terms of these transactions are approved by the management of the Company and are considered to be within the normal course of the Company's business.

Amount due from a related party

Amounts due from a related party which are presented under Accounts receivables, prepayments and other receivables in the statement of financial position is as follows (note 7):

	<i>30 June 2023 SR</i>
Arcapita KSA Logistics Fund III	<u>4,244,747</u>

Amount due from a related party balances aged below 12 months.

Amount due to a related party

	<i>30 June 2023 SR</i>
Arcapita Global Limited	<u>3,457,063</u>

Amount due from a related party and amount due to related party is unsecured.

12. INCOME TAX

No income tax provision has been made during the period due to the losses incurred during the period.

Status of assessment

The Company is yet to submit its tax return for the first period from 16 February to 30 June 2023 to Zakat, Tax and Customs Authority ("ZATCA").

Arcapita Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
At 30 June 2023

13. SHARE CAPITAL

The share capital is divided into 2,000,000 shares of SR 10 each.

14. REVENUE

	<i>Notes</i>	<i>For the period from 16 Feb 2022 to 30 June 2023</i> SR
Arranging fee	7	3,934,087
Acquisition fees	7 & 14.1	2,769,625
Management fees	7 & 14.2	<u>2,614,764</u>
		<u><u>9,318,476</u></u>

14.1 Acquisition fee

	<i>For the period from 16 Feb 2022 to 30 June 2023</i> SR
Gross acquisition fee	7,075,000
Less: Waiver of acquisition fees to strategic investors*	<u>(4,305,375)</u>
	<u><u>2,769,625</u></u>

* This represents the partial waiver of acquisition fees to certain strategic investors in the fund managed by the Company.

14.2 Management fees

	<i>For the period from 16 Feb 2022 to 30 June 2023</i> SR
Gross management fee	4,244,747
Less: Waiver of management fees to strategic investors*	<u>(1,629,983)</u>
	<u><u>2,614,764</u></u>

* This represents the partial waiver of management fee to certain strategic investors in the fund managed by the Company.

15. GENERAL AND ADMINISTRATION EXPENSES

	<i>For the period from 16 Feb 2022 to 30 June 2023</i> SR
Professional and consultancy fees	1,032,965
Board of Directors remunerations (note 11)	715,000
Rental expenses	364,021
IT services and communication cost	314,190
Depreciation on right of use asset (note 8)	234,334
Depreciation of property and equipment (note 9)	198,290
Unclaimable Value added tax	97,898
Subscriptions expenses	66,652
Finance cost on lease liability (note 8)	20,214
Others	<u>340,874</u>
	<u><u>3,384,438</u></u>

Arcapita Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 30 June 2023

16. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The tables below show an analysis of assets and liabilities according to when they are expected to be recovered or settled, respectively:

<i>As at 30 June 2023</i>	<i>Current</i>	<i>Non-current</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
ASSETS			
Bank balances and cash	8,999,740	-	8,999,740
Accounts receivables, prepayments and other receivables	4,724,535	31,654	4,756,189
Mudaraba deposit	10,000,000	-	10,000,000
Right-of-use asset	432,616	198,283	630,899
Property and equipment	-	1,055,165	1,055,165
Total assets	<u>24,156,891</u>	<u>1,285,102</u>	<u>25,441,993</u>
LIABILITIES			
Accounts payable, accrued expenses and other payables	3,382,775	-	3,382,775
Amount due to a related party	3,457,063	-	3,457,063
Lease liability	444,791	-	444,791
Total liabilities	<u>7,284,629</u>	<u>-</u>	<u>7,284,629</u>

17. CAPITAL ADEQUACY

CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<i>30-Jun-23</i>
	<i>SR in '000'</i>
Capital base	
Tier I	16,923
Tier II	-
Total	<u>16,923</u>
Risk weighted asset	
Market risk	-
Credit risk	15,574
Operational risk	23,391
Concentration risk	132
Total	<u>39,097</u>
Surplus	13,796
Capital adequacy ratio (times)	43.29%

- a) Capital Base of the Company comprises of:
 - Tier-1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
 - Tier-2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves.
- b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules issued by the CMA.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
At 30 June 2023

18. ASSET UNDER MANAGEMENT

The assets under management with the Company at the end of the period amounted to SR 639 million.

19. FINANCIAL RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. These 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 obligations. The Company's activities expose it to a variety of financial risks that include:

- Credit risk;
- Liquidity risk;
- Currency risk; and
- Price risk.

19.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from bank balances, trade receivables and amounts due from related parties.

(i) Risk management

Credit risk is the single largest risk for the Company's business, therefore, the management carefully manages its exposure to credit risk. The credit risk management and control are centralized in a credit management team which reports regularly to the Board of Directors and head of each business unit.

(ii) Impairment of financial assets

The Company has the following types of financial instruments that are subject to expected credit loss:

- Bank balances; and
- Trade and other receivables - receivable from related parties.

Trade receivables

The Company applies the simplified approach for measuring ECL for trade receivables which uses a lifetime expected loss allowance.

Financial assets at amortized cost

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortized cost, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance increase in credit risk since origination, will be based on the lifetime ECL. For due from related parties, the Company applies the simplified approach.

19.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Deposits are generally placed for short periods to manage the Company's liquidity requirements.

All liabilities on the Company's statement of financial position, other than end of service benefits, are contractually payable on a current basis. Liquidity risk at an investment fund level is being managed through appropriate liquidity limits and is monitored for each fund.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
At 30 June 2023

19. FINANCIAL RISK MANAGEMENT (continued)

19.2 Liquidity risk (continued)

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

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

Exposure to liquidity risk

30 June 2023	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 - 5 years SR</i>	<i>Greater than 5 years SR</i>	<i>No fixed maturity SR</i>	<i>Total SR</i>
Trade and other payables	3,382,775	-	-	-	-	3,382,775
Amount due to a related party	-	-	-	-	3,457,063	3,457,063
Lease liability	-	459,816	-	-	-	459,816
	<u>3,382,775</u>	<u>459,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,299,654</u>

19.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk.

19.4. Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The Company is not exposed to market risk.

20. FAIR VALUE MEASUREMENT

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2023	<i>Carrying value At amortized cost SR</i>	<i>Fair Value</i>			
		<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Financial assets					
<i>Classified at amortized cost:</i>					
Bank balances and cash	8,999,740	8,999,740	-	-	8,999,740
Term deposit	10,000,000	-	10,000,000	-	10,000,000
Accounts receivables and other receivables	4,421,038	-	4,421,038	-	4,421,038
	<u>23,420,778</u>	<u>8,999,740</u>	<u>14,421,038</u>	<u>-</u>	<u>23,420,778</u>
Financial liabilities					
Accounts payable and other payables	555,165	-	555,165	-	555,165
Amount due to a related party	3,457,063	-	3,457,063	-	3,457,063
	<u>4,012,228</u>	<u>-</u>	<u>4,012,228</u>	<u>-</u>	<u>4,012,228</u>

Arcapita Capital Company
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
At 30 June 2023

21. COMMITMENTS AND CONTINGENCIES

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

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

22. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective

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

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

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

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

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

Amendments to IFRS 10 and IAS 28

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

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

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

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

The amendment is effective from 1 January 2024.

Amendments to IAS 1, Non-current Liabilities with Covenants

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

The amendment is effective from 1 January 2024.

23. EVENTS AFTER THE REPORTING PERIOD

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

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Board of Directors on 12 Jumada Al-Ula 1445H (corresponding to 26 November 2023).

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