

MUSHARAKA CAPITAL COMPANY
(A Saudi closed joint stock company)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT**

MUSHARKA CAPITAL COMPANY
(A Saudi closed joint stock company)

Consolidated financial statements for the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT

To the shareholders

Musharaka Capital Company

(A Saudi closed joint stock company)

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Musharaka Capital Company (the "Company"), a Saudi closed joint stock company, and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

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

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

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

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

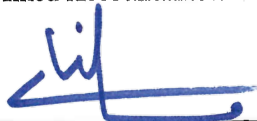
Independent auditor's report to the shareholders of Musharaka Capital Company (continued)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

RSM Allied Accountants Professional Services

Mohammed Farhan bin Nader

License No. 435

Al-Khobar, Kingdom of Saudi Arabia

26 March 2025 (corresponding to 26 Ramadan 1446H)



MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Consolidated statement of profit or loss and other comprehensive income

(Expressed in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	2024	2023
Income			
Revenue from contracts with customers	5	69,435,096	41,307,773
Gain on investments carried at fair value through profit or loss	15	6,142,700	1,501,981
Share of (loss) profit of associates and unconsolidated subsidiaries accounted for using equity method	13,14	(34,215)	2,827,855
Special commission income	6	258,985	-
Other income		149,204	79,345
		75,951,770	45,716,954
Operating expenses			
Brokerage service expenses	7	(11,812,504)	(3,107,350)
Selling and marketing expenses		(1,208,239)	(459,888)
General and administrative expenses	8	(37,915,922)	(31,119,792)
Impairment loss on investments carried at fair value through profit or loss	15	(1,875,000)	-
Finance costs	9	(1,381,687)	(1,423,466)
		(54,193,352)	(36,110,496)
Profit before zakat		21,758,418	9,606,458
Zakat expense	27	(1,486,850)	(1,100,000)
Profit for the year		20,271,568	8,506,458
Other comprehensive income or (loss):			
<i>Items that will not be reclassified to profit or loss in subsequent years:</i>			
• Loss on remeasurement of employee benefit obligations	24	(257,094)	(207,673)
• Share of other comprehensive loss of associates accounted for using equity method	14	-	-
Other comprehensive loss for the year		(257,094)	(207,673)
Total comprehensive income for the year		20,014,474	8,298,785

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

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Consolidated statement of financial position

(Expressed in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	2024	2023
Assets			
Non-current assets			
Property and equipment	10	3,450,468	3,886,060
Right of-use-asset	11	3,241,589	4,517,347
Intangible assets	12	125,753	196,073
Investment in unconsolidated subsidiaries and advances	13	2,016,671	2,017,671
Investment in associates	14	44,838,395	45,001,033
Total non-current assets		53,672,876	55,618,184
Current assets			
Investments carried at fair value through profit or loss	15	30,096,543	29,538,282
Accounts receivable	16	26,908,744	18,155,793
Prepayments and other receivables	17	15,156,599	9,341,403
Cash and cash equivalents	18	1,149,798	1,591,377
Total current assets		73,311,684	58,626,855
Total assets		126,984,560	114,245,039
Equity and liabilities			
Equity			
Share capital	19	65,000,000	65,000,000
Statutory reserve	20	6,157,338	4,130,180
Retained earnings		25,065,391	19,820,981
Remeasurement reserve for employee benefits obligations	24	(728)	256,365
Total equity		96,222,001	89,207,526
Liabilities			
Non-current liabilities			
Long-term borrowings	22	7,000,000	9,000,000
Lease liabilities	23	2,100,352	3,664,432
Employee benefit obligations	24	3,830,945	2,965,577
Total non-current liabilities		12,931,297	15,630,009
Current liabilities			
Short-term borrowings	25	6,800,009	3,000,000
Current portion of long-term borrowings	22	2,259,122	1,338,062
Current portion of lease liabilities	23	1,368,128	1,088,184
Accrued expenses and other liabilities	26	6,204,003	2,649,649
Zakat provision	27	1,200,000	1,331,609
Total current liabilities		17,831,262	9,407,504
Total liabilities		30,762,559	25,037,513
Total equity and liabilities		126,984,560	114,245,039

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

MUSHARAKA CAPITAL COMPANY

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Consolidated statement of changes in equity

(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for employee benefit obligations	Total
At 1 January 2023	65,000,000	3,279,534	12,165,169	464,038	80,908,741
Profit for the year	-	-	8,506,458	-	8,506,458
Other comprehensive loss for the year	-	-	-	(207,673)	(207,673)
Total comprehensive income (loss) for the year	-	-	8,506,458	(207,673)	8,298,785
Transfer to statutory reserve	-	850,646	(850,646)	-	-
Dividends (Note 21)	-	-	-	-	-
At 31 December 2023	65,000,000	4,130,180	19,820,981	256,365	89,207,526
Profit for the year	-	-	20,271,568	-	20,271,568
Other comprehensive loss for the year	-	-	-	(257,094)	(257,094)
Total comprehensive income (loss) for the year	-	-	20,271,568	(257,094)	20,014,474
Transfer to statutory reserve	-	2,027,158	(2,027,158)	-	-
Dividends (Note 21)	-	-	(13,000,000)	-	(13,000,000)
At 31 December 2024	65,000,000	6,157,338	25,065,391	(728)	96,222,001

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

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Consolidated statement of cash flows

(Expressed in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	2024	2023
Cash flows from operating activities			
Profit before zakat		21,758,418	9,606,458
<u>Adjustments for:</u>			
Depreciation and amortization	10,11,12	3,278,080	3,050,754
Finance cost	9	1,381,687	1,423,466
Share of results of unconsolidated subsidiaries and associates accounted for using the equity method, net	13,14	34,215	(2,827,855)
Gain on investments carried at fair value through profit or loss	15	(6,142,700)	(470,575)
Employee benefit obligations	24	715,640	586,816
Gain on disposal of property and equipment		(25,818)	-
Impairment loss on investments carried at fair value through profit or loss	15	1,875,000	-
<u>Changes in operating assets and liabilities:-</u>			
Increase in accounts receivable		(8,274,785)	(11,066,781)
Increase in prepayments and other receivables		(10,911,951)	(7,812,502)
Increase (decrease) in accrued expenses and other liabilities		3,554,355	(798,609)
Cash generated from (used in) operations		7,242,141	(8,308,828)
Employees benefit obligations paid	24	(107,366)	(71,653)
Finance cost paid		(1,240,412)	(1,110,779)
Zakat paid	27	(1,618,459)	(1,097,744)
Net cash inflow (outflow) from operating activities		4,275,904	(10,589,004)
Cash flows from investing activities			
Payments for purchase of property and equipment	10	(856,064)	(1,683,216)
Proceeds from sale of property and equipment	12	47,650	(57,750)
Dividends received from an associate	14	929,904	1,755,371
Additions to investments in associate	14	(800,481)	-
Additions to investments carried at fair value through profit or loss	15	(1,504,262)	(16,450,063)
Proceeds from redemption of units in investments carried at fair value through profit or loss	15	9,832,291	10,475,104
Net cash inflow (outflow) from investing activities		7,649,038	(5,960,554)
Cash flows from financing activities			
Proceed from long-term borrowings	22	-	10,000,000
Repayment of long-term borrowings	22	(1,000,000)	
Repayment of lease liabilities	23	(2,166,529)	(1,801,841)
Short-term borrowings	25	3,800,009	-
Dividends paid	21	(13,000,000)	-
Net cash (outflow) inflow from financing activities		(12,366,521)	8,198,159
Net decrease in cash and cash equivalents		(441,578)	(8,351,399)
Cash and cash equivalents at the beginning of the year		1,591,377	9,942,776
Cash and cash equivalents at the end of the year	18	1,149,798	1,591,377

Supplemental non-cash information

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

MUSHARAKA CAPITAL COMPANY

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Notes to the consolidated financial statements for the year ended 31 December 2024

(Expressed in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION

Musharaka Capital Company (the “Company”) is registered, under Commercial Registration (“CR”) number 2051056409 issued in Al Khobar, Kingdom of Saudi Arabia, dated 20 Rabi’ II 1435H (corresponding to 20 February 2014). The Company was incorporated under Ministry of Commerce resolution number 73/K dated 29 Rabi’ I 1435H (corresponding to 30 January 2014).

The principal activities of the Company is dealing in Murabaha arrangements, investment management and operating of funds, arranging, advisory and securities custody services under License No. 13169-27, dated 2 Dhul-Hijjah, 1434H (7 October 2013) issued by the Capital Market Authority (“CMA”) of Kingdom of Saudi Arabia.

During 2023, pursuant to approval of the CMA, the Company has started providing financing, and brokerage services to the clients through a trading platform. Such services include arrangement of financing deals such as Sharia-compliant Murabaha arrangements directly and through Musharaka Margin Financing Fund, (a private closed-ended Sharia-compliant fund, managed by the Company), trade in both local and global equity markets and related margin trading facilities.

The Company’s registered address is P. O. Box 712, Al-Khobar 31952, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements comprise the financial statements of the Company, its branch located in Riyadh registered under CR number 1010781063 and its subsidiary (collectively, the “Group”) as explained below.

The Company has equity interest in the following subsidiary, registered and operating as a limited liability company in the Kingdom of Saudi Arabia:

Name	Effective ownership at 31 December 2024
Tadawul Almusharaka Café	100%

The Tadawul Almusharaka Cafe Company (“Tadawul Almusharaka”), is registered in Riyadh, under CR number 1010934456 dated 24 Rabi’ al-Thani 1445H corresponding to 8 November 2023. Principle activity of Company is beverage services. Tadawul Almusharaka has commenced its operations during 2024.

Also see Note 13 for details of equity interest in certain other subsidiaries which have not been consolidated as such entities are neither operational, nor significant to the Group.

2 BASIS OF PREPARATION

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.3 New and amended Standards adopted by the Group

The Group has applied the following amendments to the standards for the first time for its reporting period commencing on or after 1 January 2024:

- Amendments to IAS 1 ‘Presentation of Financial statements’ - these amendments provide guidance on classification of liabilities as current or non-current, particularly when covenants are involved. These amendments aim to improve clarity and comparability related to liabilities;

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

2.3 New and amended Standards adopted by the Group (continued)

- Amendments to IFRS 16 'Leases' - these amendments clarify how a seller-lessee should initially measure the lease liability under a sale and lease back arrangement, ensuring consistency in accounting treatment. Sale and lease back transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted; and
- Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' - these amendments require disclosures to enhance the transparency of supplier finance arrangement and their effect on liabilities, cashflows and exposure to liquidity risk.

The adoption of above amendments did not have a material impact on the accompanying consolidated financial statements.

2.4 Standards issued but not yet effective

Certain new accounting standards, amendments and interpretations have been published that are mandatory for reporting periods beginning on or after 1 January 2024 and have not been adopted early by the Group. The Group is in the process of assessing the impacts of new standards and interpretations on its consolidated financial statements.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied for the preparation of consolidated financial statement of the Company are set out below. The accounting policies have been consistently applied to all years presented, except for policies pertaining to consolidation as explained below.

3.1 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3.2 Basis of consolidation and equity accounting

3.2.1 Subsidiaries

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

- power over the investee (i.e., existing rights giving the ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Basis of consolidation and equity accounting (continued)

3.2.1 Subsidiaries (continued)

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date it ceases to control the subsidiary.

The acquisition method of accounting is used to account for business combinations by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss and other comprehensive income, changes in equity and financial position respectively.

If the ownership interest in a non-consolidated subsidiary is reduced but control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the consolidated statement of profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

Profits and losses resulting from upstream and downstream transactions between the Group and its subsidiaries are recognised in the consolidated statement of profit or loss and other comprehensive income only to the extent of unrelated investor's interest in the subsidiaries. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. The Group has elected to recognise the non-controlling interests at their proportionate share of the acquired net identifiable assets.

3.2.2 Associates and unconsolidated subsidiaries

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Basis of consolidation and equity accounting (continued)

3.2.2 Associates and unconsolidated subsidiaries (continued)

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in an associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized gains on downstream transaction exceeding the Group's interest in the entities is recognised and presented as a deferred gain. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investment in an unconsolidated subsidiary is accounted for based on equity method of accounting.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

Advances paid for acquisition of investments are recorded at cost, less any impairment loss.

3.3 Revenue

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities the Group. Revenue is measured at fair value of consideration received or receivable, and is recognized to the extent that, (i) it is probable that any future economic benefit associated with the item of revenue will flow to the Group, (ii) the revenue can be reliably measured, regardless of when the payment is being made and (iii) the costs are identifiable and can be measured reliably. The Group applies five-step model to recognize revenue.

Step:1 Identify the contract with the customer

Step:2 Identify the performance obligations in the contract

Step:3 Determine the transaction price

Step:4 Allocate the transaction price to the performance obligations in the contract

Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Based on the above five steps, the revenue recognition policy for each major revenue stream is as follows:

Asset management fees

Asset management fees are recognized based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with funds. The Group attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Group's efforts to transfer the services for that year. As asset management fees are not subject to cashbacks, the management does not expect any significant reversal of revenue previously recognized.

Subscription income

Subscription fee is recognized, at a point in time, upon subscription of the investor to the fund.

Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognized based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Revenue (continued)

Brokerage income

Brokerage income is recognized when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers. The performance obligation of the Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

Custody income

Custody income is recognized on rendering of services as per contract.

Dividends income

Dividends income is recognized when the right to receive dividend is established.

Fiduciary assets income

Assets held in a fiduciary capacity are not treated as asset of the Group, and accordingly, are not included in the financial statements. In the normal course of business, the Company agrees with the clients to place the client's cash in a remunerative bank accounts and the commission earned is recognized in the statement of comprehensive income under special commission income.

Revenue is measured based on the consideration specified in a contract with a client. The Company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria for rendering of services have been met for each of the Company's activities, as explained in Note 5.

3.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognized in profit or loss in the expense category consistent with the function of the property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and conditions necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other costs directly attributable to bringing the asset to the location and condition. Capital work-in-progress is not depreciated.

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Leases

At the inception of the contract the Group assesses whether a contract is or contains a lease. The Group recognises a Right of Use (“RoU”) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For the short term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

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

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(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Right-of-use (RoU) assets

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related RoU asset, unless those costs are incurred to produce inventories.

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

The RoU assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 'Impairment of Assets' to determine whether a RoU asset is impaired, and accounts for any identified impairment loss. See Note 3.7.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the RoU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the consolidated statement of profit or loss.

3.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the statement of profit or loss and other comprehensive income when it is incurred. Software under development is included as part of capital work-in-progress and is capitalized to intangible assets upon ready for use.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used as determined by the independent external valuers.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

The Group estimates the asset's or cash-generating unit'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.

3.8 Accounts and other receivable

Accounts and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any expected credit loss ("ECL"). Accounts receivables are generally due for settlement within 30 days. The Group has applied the simplified approach measuring the ECL of accounts receivable, which uses a lifetime expected loss allowance. To measure the ECL, trade receivables are grouped based on days overdue.

Other receivables are recognised at amortised cost, less any ECL.

3.9 Cash and cash equivalents

As at 31 December 2024 and 2023, cash and cash equivalents comprised cash in hand and cash at banks.

3.10 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months from the reporting period.

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Financial instruments

Financial assets

Classification

Financial assets at amortised cost

The Group classifies its financial assets as measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

Financial assets at fair value through profit or loss

Financial assets are classified as investments at fair value through profit or loss if they are acquired for the purpose of selling or repurchasing them in the near term. The Group designated its holding in a local quoted and unquoted securities, and units portfolio in mutual funds as financial assets at fair value through profit or loss. Such investments are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Recognition and derecognition

At initial recognition, the Group measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Measurement

Subsequent measurement of financial assets depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measured at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.11 Financial instruments (continued)

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

The Group measures financial instruments, i.e. investment carried at FVTPL, at fair value at each reporting date.

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

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

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

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

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

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

Special commission income from financial assets is included in special commission income using the effective interest rate method.

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, special commission income, and foreign exchange gains and losses, which are recognized in the statement of comprehensive income.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities,

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.13 Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost.

The Group measures ECL allowance at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due. If, in a subsequent period, an impairment loss previously recognized is reversed objectively based on an event, such a reversal is recognised in profit or loss.

While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9, the identified impairment loss is not considered to be material.

3.14 Share capital

Ordinary shares are classified as equity.

3.15 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders.

3.16 Zakat

The Group is subject to zakat in accordance with the regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is recognized in the statement of profit or loss and other comprehensive income. Zakat is levied at a fixed rate as per ZATCA regulations, applicable to the higher of zakat base or adjusted net income.

The Group's management establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and periodically evaluates positions taken in the zakat returns with respect to situations in which applicable zakat regulation is subject to interpretation.

3.17 Employee benefit obligations

The Group operates a single employee benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is payment of benefit at the end of service contract, based on most recent salary and number of service years.

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.17 Employee benefit obligations (continued)

The employee benefits plan is not funded. The valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

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

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the employee benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group'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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Fair value estimation of investments at fair value through profit or loss

Management uses a standard and consistent valuation technique to ascertain the fair values. In all cases, management uses the reported net asset values ("NAV") of the investee entities as their fair valuation, where the underlying investments are made in unit-linked funds. However, the NAV of the investee entities are assessed based on the fair values estimates using various techniques as deemed necessary including but not limited to discounted cash flows, comparable transactions, earning multiples, recent sales transactions, etc. If necessary, adjustments to the NAV are made to obtain the best estimate of fair value. In addition to the NAV, the valuation is based on management's best estimate considering recent purchase or sale transactions, available financial information or other suitable indicators of the fair value.

Impairment losses on accounts receivable

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit loss (ECL). The allowance for ECL on accounts receivable is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024	2023
Revenue recognised at point-in-time		
Brokerage services	9,897,946	1,451,252
Structuring fee	4,129,000	-
Advisory and arranging services	3,495,000	3,565,000
Funds custody fee	1,045,576	153,089
Subscription fee	737,920	713,756
Transaction fee	-	800,000
Revenue recognised over time		
Funds management fee	37,021,852	34,624,676
Performance fee	13,107,802	-
	69,435,096	41,307,773

5.1 PERFORMANCE OBLIGATIONS

a) Revenue from brokerage services:

The performance obligations are satisfied at the point in time at which a buy or sell order is executed by the client. The Group recognizes the brokerage service fee income, net of discount, if any, as and when a trade order is executed.

b) Structuring fee:

Revenues from fund structuring services represent fixed fee charged by the Group, upon rendering of specific technical services to the funds, in accordance with the terms and conditions of the fund. These services include preparing preliminary requirements for establishing and structuring of the fund, such as legal support, technical and advisory support, and due diligence studies. The Group's policy is to recognise these revenues at a point-in-time upon the satisfaction of a single performance obligation, which is the completion of these technical services.

The fee is based on a fixed amount as agreed in the terms and conditions of the fund approved by the CMA, and is invoiced upon completion of the service and is payable upfront upon issuance of the invoice.

The performance obligation for such services is satisfied upon the delivery of the technical services related to fund structuring. The Group does not involve any other party as an agent in satisfying such performance obligation.

c) Revenue from advisory and arranging fee:

Revenues from fund arrangement services are recognised as an upfront fee charged by the Group for assisting funds in securing debt financing from financial institutions, in accordance with the fund's terms and conditions. It is the Group's policy to recognise such revenues at a point-in-time upon satisfaction of such performance obligation.

This fee is calculated as a fixed percentage of the total debt financing arranged for the fund, as agreed upon in the terms and conditions approved by the CMA. The fee is invoiced after the successful execution of the financing agreement between the fund and the financial institution, and is payable upfront upon issuance of the invoice.

The performance obligation is considered satisfied when a fund successfully secures a loan agreement with the financial institution. The Group has not involved any other party as an agent for satisfaction of the performance obligation.

d) Revenue from custody fee:

Custody fee income is recognized based on the rendering of custodian services as per contract.

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5 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

5.1 PERFORMANCE OBLIGATIONS (continued)

e) Revenue from mutual funds subscription fee:

Revenues from subscription fee represent an upfront fee charged to subscribers of the units of the funds managed by the Group, at the time of subscription. The Group's policy is to recognise these revenues at a point-in-time upon the satisfaction of a single performance obligation, which is the issuance of units by the fund to the unit holders.

The fee is calculated as a fixed percentage of the amount subscribed by the unitholders in the funds, as agreed in the terms and conditions of the fund approved by the CMA. This fee is invoiced upon the issuance of the subscription certificate to the unit holders and is received upfront at the time of subscription.

This performance obligation is satisfied upon the successful subscription of units of the fund. The Group does not involve any other party as an agent in satisfying this performance obligation.

f) Revenue from transaction fee:

The Group is entitled to transaction fee based on a percentage up to 1% of the value of property, on purchase or sale based on applicable terms and conditions of the underlying fund for which such transaction is undertaken.

g) Revenue from funds management fee:

Revenues from fund management services represent fixed fee or a fee based on a percentage of the net assets value of a fund, as agreed in terms and conditions of the funds as approved by the CMA. The Group's policy is to recognise such revenues over time when the performance obligation is satisfied.

The performance obligation is satisfied over time as the client simultaneously receives and consumes the benefits provided by the Group's performance as the Group provides the services. The Group identifies the progress for these services using output method on the basis of elapsation of time as it best measures the services rendered to date, in accordance with the terms and conditions of the underlying funds. The Group has not involved any other party as an agent for satisfaction of the performance obligation. Revenues from fund management and operating services are billed usually on semi-annual basis, and is payable upfront upon issuance of the invoice.

h) Performance fee

Revenue from performance fee is the amount that the fund manager and the developer are entitled to receive, as stipulated in the agreed terms and conditions, upon the termination of the respective fund.

During the year 2024, the Group received Saudi Riyals 13 million from the La Perla II fund, as the fund was liquidated at the end of the year. This amount represents the performance fee earned calculated as 30% of return exceeding internal rate of return in accordance with the agreement with the fund and as stipulated in the fund's terms and conditions.

The Group does not provide any warranties, or has other similar obligations against its contracts with customers.

6 SPECIAL COMMISSION INCOME

Special commission income amounting to Saudi Riyals 0.3 million is earned by the Group during the year 2024, for clients' money in OMNI-bus account of Saudi Riyals 50 million during the year. (2023: nil)

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7 BROKERAGE SERVICE EXPENSES

		2024	2023
	Note		
Salaries and benefits		2,694,490	470,000
Brokerage commission discount		2,385,199	52,727
CMA fee	7.1	2,019,489	316,360
Fund expenses	7.2	1,993,805	158,181
IT expenses	7.3	1,359,375	1,359,375
Edaa ("Saudi Tadawul") fee	7.4	1,023,564	374,992
Muqassa fee	7.5	336,582	375,715
		11,812,504	3,107,350

7.1 CMA Fee is a regulatory charge imposed by the CMA on brokerage services, calculated as 0.03% of the transaction value.

7.2 Fund expense, is the commission paid to Musharaka Margin Financing Fund for managing Murabaha Deals.

7.3 Charges paid annually for using DFN portal for brokerage services.

7.4 Edaa fee is a clearing and settlement charge applied to brokerage services, calculated as 0.015% of the transaction value.

7.5 Muqassa fee is a risk management and clearing fee charged on brokerage services, calculated as 0.05% of the transaction value.

8 GENERAL AND ADMINISTRATIVE EXPENSES

		2024	2023
	Note		
Salaries and benefits		20,220,546	17,742,029
Depreciation and amortization	10,11,12	3,278,080	3,050,754
Employees bonus		3,013,631	2,409,942
IT expenses		2,927,606	42,582
Legal and professional fee		1,198,577	1,257,546
Board of Directors bonus		994,500	1,135,834
Referral fee		886,478	1,626,175
Employee benefits obligation		715,641	586,816
Allowance for expected credit loss		500,000	127,500
Rent and utilities		410,052	324,461
Other		3,770,811	2,816,153
		37,915,922	31,119,792

9 FINANCE COSTS

		2024	2023
	Note		
Finance cost on borrowings	21, 24	1,161,472	1,110,779
Finance cost on lease liabilities	22	220,215	312,687
		1,381,687	1,423,466

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10 PROPERTY AND EQUIPMENT

2024	Leasehold improvements	Furniture and fixtures	Office equipment	Vehicles	Capital work -in-progress	Total
<u>Cost</u>						
At 1 January	3,477,861	1,171,237	2,738,414	90,836	252,150	7,730,498
Additions	-	-	110,322	-	745,742	856,064
Transfers	-	59,846	562,120	-	(621,966)	-
Disposal	-	-	(47,650)	-	-	(47,650)
At 31 December	3,477,861	1,231,083	3,363,206	90,836	375,926	8,538,912
<u>Accumulated depreciation</u>						
At 1 January	1,342,789	727,366	1,683,448	90,836	-	3,844,439
Charge for the year	644,492	177,425	447,906	-	-	1,269,823
Disposal	-	-	(25,818)	-	-	(25,818)
At 31 December	1,987,281	904,791	2,105,536	90,836	-	5,088,444
Net book value						
At 31 December	1,550,426	938,888	585,228	-	375,926	3,450,468
2023						
<u>Cost</u>						
At 1 January	2,588,274	974,978	2,055,268	90,836	337,927	6,047,283
Additions	466,882	196,259	683,146	-	336,929	1,683,216
Transfers	422,705	-	-	-	(422,705)	-
At 31 December	3,477,861	1,171,237	2,738,414	90,836	252,151	7,730,499
<u>Accumulated depreciation</u>						
At 31 January	877,258	603,979	1,374,273	90,836	-	2,946,346
Charge for the year	465,531	123,387	309,175	-	-	898,093
At 31 December	1,342,789	727,366	1,683,448	90,836	-	3,844,439
Net book value						
At 31 December	2,135,072	443,871	1,054,966	-	252,151	3,886,060

10.1 The leasehold improvements represent cost incurred on the interior structural changes to the leasehold offices.

10.2 Capital work-in-progress represents cost of on-going design changes and modification to certain leasehold offices.

a) Depreciation is charged to profit or loss over the following estimated useful lives:

	Number of years
• Leasehold improvements	3 - 10 (as per the applicable lease agreement)
• Furniture and fixtures	4
• Office equipment	4
• Vehicles	4

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11 RIGHT-OF-USE ASSET

	<u>2024</u>	2023
<u>Cost:</u>		
At 1 January	10,406,157	10,406,157
Addition	662,179	-
At 31 December	11,068,336	10,406,157
<u>Accumulated amortization:</u>		
At 1 January	5,888,810	3,967,369
Charge for the year	1,937,937	1,921,441
At 31 December	7,826,747	5,888,810
Net book value		
At 31 December	3,241,589	4,517,347

12 INTANGIBLE ASSETS

	<u>2024</u>	<u>Capital work-</u>	<u>Total</u>
	<u>Software</u>	<u>in-progress</u>	
<u>Cost:</u>			
At 1 January and 31 December 2024	953,570	92,532	1,046,102
<u>Accumulated amortization</u>			
At 1 January	850,029	-	850,029
Charge for the year	70,320	-	70,320
At 31 December	920,349	-	920,349
Net book values:	33,221	92,532	125,753
<u>2023</u>			
<u>Cost:</u>			
At 1 January	918,320	70,032	988,352
Additions	35,250	22,500	57,750
At 31 December	953,570	92,532	1,046,102
<u>Accumulated amortization</u>			
At 1 January	618,809	-	618,809
Charge for the year	231,220	-	231,220
At 31 December	850,029	-	850,029
Net book values:	103,541	92,532	196,073

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12 INTANGIBLE ASSETS (continued)

Intangible assets representing software with finite useful lives are amortized on a straight-line method basis over a period not exceeding 4 years.

Capital work-in-progress represents cost incurred related to addition of modules to the existing accounting software and enhancement in the related accessibility functions.

13 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES AND ADVANCES

Name of subsidiaries	Note	Effective ownership interest	2024	2023
Investments in JAD Healthcare			2,000,000	2,000,000
Tanseeq Al-Ola	13.1	100%	8,192	8,692
Tanseeq Al Taqa	13.2	100%	8,479	8,979
			2,016,671	2,017,671

Investments in JAD Healthcare include advances paid against acquisition of shareholding in JAD Healthcare, which is yet to start its commercial operations. The advances which will be realised in the future subject to satisfaction of certain terms and conditions of the underlying investment acquisition agreement. Further, the value of such advances i.e. Saudi Riyals 2 million is fully recoverable and there is no risk of impairment.

13.1 The movement of investment in Tanseeq Al Ola is as follows:

	2024	2023
At 1 January	8,692	8,692
Share of profit or loss	(500)	-
At 31 December	8,192	8,692

Tanseeq Al-Ola Trading Company ("Tanseeq"), a Saudi limited liability company, is registered in Al Khobar, under CR number 2051213542 dated 3 Ramadan 1438H (corresponding to 28 May 2017). Tanseeq is registered to engage in purchase, sale and lease of land and real estate, real estate development and investment activities, building construction, and export, commercial and marketing commitments on behalf of others.

13.2 The movement of investment in Tanseeq Al Taqa is as follows:

	2024	2023
At 1 January	8,979	8,979
Share of profit or loss	(500)	-
At 31 December	8,479	8,979

Tanseeq Al Taqa Investment Company ("Al Taqa"), a Saudi limited liability company is registered in Al Khobar, under CR number 2051223419 dated 20 Rabi'I 1440H corresponding to 29 November 2018. Al Taqa is registered to engage in designing, installation, maintenance, and inspection of solar photovoltaic systems. Operation and maintenance of pumping stations and pipelines. Al Taqa did not conduct any operating activities from inception till the reporting date.

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14 INVESTMENT IN ASSOCIATES

Name	Note	Ownership	2024	2023
Musharaka REIT Fund	14.1	5.46%	38,793,574	40,123,917
ARMAS Company Limited	14.2	25%	6,044,821	4,877,116
			44,838,395	45,001,033

The movement in investment in associates is as follows:

	Note	2024	2023
At 1 January		45,001,033	43,928,549
Additions		800,481	
Share of profit or loss	14.1, 14.2	(33,215)	2,827,855
Dividends		(929,904)	(1,755,371)
At 31 December		44,838,395	45,001,033

14.1 Musharaka REIT Fund

Musharaka REIT Fund (the “REIT Fund”), is a closed-ended public real estate investment fund, managed by the Group. The REIT Fund is listed and publicly traded in Saudi exchange in compliance with Real Estate Investment funds regulations and Real Estate Investment Traded Funds Instructions issued by the CMA.

The Group owns 4.8 million units (2023: 4.65 million) of the REIT Fund, representing 5.46% of the total units, has representation on its Board and is acting in the capacity as fund manager for the REIT Fund. Out of the Group's investment in REIT Fund, units amounting to Saudi Riyals 6.3 million (2023: Saudi Riyals 5.5 million) are pledged against short-term loan. Further, certain of the units with value amounting to Saudi Riyals 3.3 million were pledged as collateral for long-term loan (also see Note 22).

The movement of investment in REIT Fund is as follows:

	2024	2023
At 1 January	40,123,917	41,844,241
Addition	800,481	-
Share of profit or loss	(1,200,920)	(464,953)
Dividends	(929,904)	(1,255,371)
At 31 December	38,793,574	40,123,917

14.2 ARMAS Company Limited

ARMAS Company Limited is a limited liability company (“ARMAS”) registered in Dammam, Kingdom of Saudi Arabia, under CR number 2050028436 dated 7 Rabi ‘I 1415H corresponding to 13 August 1994. ARMAS is engaged in the wholesale and retail trade in marble, industrial granite, wooden pallets, and wooden and metal furniture. The Group representing 25% shareholding in ARMAS. Investment in ARMAS is owned by a subsidiary who waived its right in the favor of the Group.

	2024	2023
At 1 January	4,877,116	2,084,308
Share of profit or loss	1,167,705	3,292,808
Dividends received	-	(500,000)
At 31 December	6,044,821	4,877,116

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15 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2024	2023
La Perla II Fund	15.1	17,911,356	8,141,105
Al-Majediah Residence Al-Khobar Fund		4,786,828	4,820,011
Musharaka Safa Fund		3,791,951	3,898,699
Alkhayalah Elite Complex Fund		3,582,212	2,612,704
Investment in Saudi listed companies		24,196	27,502
Musharaka Margin Financing Fund		-	5,000,000
Musharaka Saudi Equity Fund		-	2,705,322
Investment in Securrency	15.2	-	1,875,000
Al Majediah Real Estate First Fund		-	457,939
At 31 December		30,096,543	29,538,282

The movement of investments at fair value through profit or loss is as follows:

	2024	2023
At 1 January	29,538,282	19,663,595
Additions during the year	6,122,852	19,879,216
Disposal during the year	(9,663,261)	(10,475,104)
Impairment loss (Note 15.2)	(1,875,000)	-
Change in fair value	5,973,670	470,575
At 31 December	30,096,543	29,538,282

During 2024, additions to investments carried at fair value through profit or loss include transfer of units amounting to Saudi Riyals 4.6 million (2023: Saudi Riyals 3.4 million) from certain funds as partial settlement of the Company's management fee as per the terms and conditions of such funds.

15.1 During 2024, La Perla II Fund was liquidated by its Board of Directors and the Group realised the carrying value of its investment amounting to Saudi Riyals 17.9 million (2023: nil) at the date of liquidation.

15.2 During 2024, Investment in Securrency amounting to Saudi Riyal 1.8 million (2023: nil), was impaired as determined and approved by the Board of Directors of the Company.

The details about fair value categorization of the above investment are explained in Note 28.

Break-up of gain from investments carried at FVTPL is as follows:

	2024	2023
Realized gain from investments carried at FVTPL	169,030	1,031,406
Unrealized gain from investments carried at FVTPL	5,973,670	470,575
	6,142,700	1,501,981

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16 ACCOUNTS RECEIVABLE

	Note	2024	2023
Accounts receivable - related parties	28	16,395,127	16,769,312
Accounts receivable - third party		2,728,335	1,507,717
Unbilled from related parties		551,175	1,204,657
Musharaka Financing Portfolio	16.1	9,060,000	-
		28,734,637	19,481,686
Allowance for expected credit losses		(1,825,893)	(1,325,893)
		26,908,744	18,155,793

The movement in the allowance for expected credit losses is as follows:

	2024	2023
1 January	1,325,893	1,198,393
Allowance for the year	500,000	127,500
At 31 December	1,825,893	1,325,893

Allowance for expected credit loss amounting to Saudi Riyals 1.8 million represents, amount receivable from a third party for fund establishment services rendered by the Group. The Group has recorded an allowance against such amount considering the liquidity position of the third party.

An aged analysis of accounts receivable is as follows:

	Neither past due nor impaired	Past due but not impaired				Total
		< 180 days	181-270 days	270-365 days	> 365 days	
2024	9,060,000	17,819,758	-	-	28,986	26,908,744
2023	-	11,842,723	6,313,069	-	1,325,893	19,481,686

16.1 In a Musharaka financing arrangement, a loan is provided to the customer for trading purposes. The customer utilizes the amount for trading activities and in return pays a predetermined profit share based on the agreed terms.

17 PREPAYMENTS AND OTHER RECEIVABLES

	2024	2023
Muqassa deposit (Note 17.1)	6,600,000	5,000,000
Prepaid expenses	7,175,094	3,374,244
Advance to employees	1,381,505	967,159
	15,156,599	9,341,403

17.1 This amount represent deposit with Securities Clearing Center Group ("Muqassa"). This deposit is maintained in a restricted account designated by Muqassa. The purpose of this deposit is to ensure compliance with the necessary regulations and obligations related to clearing processes.

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18 CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Cash at banks	1,145,351	1,584,090
Cash in hand	4,447	7,287
	<u>1,149,798</u>	<u>1,591,377</u>

19 SHARE CAPITAL

The authorized and issued share capital of the Company, comprise 6.5 million shares (31 December 2023: 6.5 million shares) of Saudi Riyals 10 each, held as follows:

<u>Shareholders</u>	<u>No. of shares</u>	<u>Shareholding percentage</u>	<u>Value</u>
Al Rajhi Ekhwan Group Company	1,820,000	28.0%	18,200,000
Atar Holding Company	1,690,000	26.0%	16,900,000
Ebreez Al Arabia Company	1,300,000	20.0%	13,000,000
Yaqeen Holding Company	1,137,500	17.5%	11,375,000
Mr. Ebrahim Bin Fahad Bin Mohammad Al Assaf	552,500	8.5%	5,525,000
	<u>6,500,000</u>	<u>100%</u>	<u>65,000,000</u>

20 STATUTORY RESERVE

In accordance with the Company's updated By-laws, the Company is not required to maintain a statutory reserve. This reserve represents the previously set-aside balance as stipulated in the Regulations for Companies and previous By-laws. The shareholders have not decided to utilize or distribute such balance as at the reporting date.

21 DIVIDENDS

During the year 2024, the Board of Directors of the Company approved dividend payments amounting to Saudi Riyals 13 million which were fully paid during such year. No such dividends were approved or paid during 2023.

22 BORROWINGS

	<u>2024</u>	<u>2023</u>
Long-term loan	9,000,000	10,000,000
Accrued financial charges	259,122	338,062
	<u>9,259,122</u>	<u>10,338,062</u>

Long-term loan are presented in the statement of financial position at 31 December as follows:

	<u>2024</u>	<u>2023</u>
Non-current portion	7,000,000	9,000,000
Current portion	2,259,122	1,338,062
	<u>9,259,122</u>	<u>10,138,062</u>

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22 BORROWINGS (continued)

Aggregate maturities of the outstanding long-term loan instalments as at 31 December are as follows:

	2024	2023
2024	-	1,338,062
2025	2,259,122	2,000,000
2026	2,000,000	2,000,000
2027	2,000,000	2,000,000
Beyond 2027	3,000,000	3,000,000
	9,259,122	10,338,062

During 2023, the Group entered into a Sharia-compliant financing facility, with a local commercial bank for a long-term loan with an overall limit of Saudi Riyals 30 million to finance the acquisition of units in certain funds managed by the Group the contract has been renewed during 2024. Such facility carries financial cost at market rates and agreed margin and is repayable in semi-annual installments over 5 years from the date of withdrawal. The Group must maintain certain financial ratios, such as a Debt Service Coverage Ratio (DSCR) of not less than 1.25:1 annually during the financing period. As at the reporting, the Group was in compliance with the applicable covenants.

The Group has withdrawn Saudi Riyals 10 million till 31 December 2024 for the purpose of subscription of fund units.

The above loan is secured by a mortgage against the Group's investment in certain funds. Also see Note 14.

23 LEASE LIABILITIES

	2024	2023
At 1 January	4,752,616	6,241,770
Addition	662,179	-
Interest charge for the year	220,215	312,687
Payments	(2,166,530)	(1,801,841)
At 31 December	3,468,480	4,752,616

a) Amounts recognised in profit and loss for the year ended 31 December:

	2024	2023
Depreciation of right-of-use assets	1,937,937	1,921,441
Interest on lease liabilities	220,215	312,687
	2,158,152	2,234,128

b) The maturity analysis of lease liabilities as at 31 December is as follows:

	Less than one year	One to five years	Total
2024			
Gross lease liabilities	1,523,542	2,202,526	3,726,068
Finance expense	(155,414)	(102,174)	(257,588)
	1,368,128	2,100,352	3,468,480
2023			
Gross lease liabilities	3,843,953	1,292,714	5,136,667
Finance expense	(179,521)	(204,530)	(384,051)
	3,664,432	1,088,184	4,752,616

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23 LEASE LIABILITIES (continued)

The Group has lease agreements for its offices across the Kingdom of Saudi Arabia. The lease tenure ranges from three to ten years, and the average incremental borrowing rate applied for computation of such liabilities was 6%. Lease terms are negotiated on aggregate basis and contain the same terms and conditions. The lease agreements do not impose any covenants. Leased assets are not being used as security for borrowing purposes. The total amount of short-term lease expense was Saudi Riyals 0.03 million for the year ended 31 December 2024 (2023: Saudi Riyals 0.03 million).

24 EMPLOYEE BENEFIT OBLIGATIONS

The Group operates an employee benefit plan in line with the Labour Law requirements in the Kingdom of Saudi Arabia. The employee benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the employee benefit obligation are met when they fall due upon termination of employment.

The movement of the year is as follows:

	2024	2023
At 1 January	2,965,577	2,242,741
Current service cost	573,885	100,923
Interest charge for the year	141,755	485,893
Remeasurement	257,094	207,673
Benefits paid during the year	(107,366)	(71,653)
At 31 December	3,830,945	2,965,577

Amounts recognised in the statement of profit or loss

The amounts recognised in the statement of profit or loss related to employee benefit obligations are as follows:

	2024	2023
Current service cost	573,886	100,923
Interest cost	141,755	485,893
Total amount recognized in profit or loss	715,641	586,816

Amounts recognized on other comprehensive income

	2024	2023
<u>Remeasurements</u>		
Loss due to change in financial assumptions	(50,048)	(44,352)
Gain due to change in demographic assumptions	307,142	252,025
Total amount recognized in other comprehensive income	257,094	207,673

Significant assumptions used in determining the post-employee benefit obligation includes the following:

	2024	2023
Discount rate	5.06%	4.78%
Future salary growth	2%	2%
Mortality rate	AM- 92	AM- 92
Retirement age	60 year	60 year

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24 EMPLOYEE BENEFIT OBLIGATIONS (continued)**Sensitivity analysis of key actuarial assumptions:**

A quantitative sensitivity analysis for discount rate and future salary growth rate assumption on the defined benefit obligation is shown below:

	2024		2023	
	%	Saudi Riyals	%	Saudi Riyals
Discount rate				
Increase	1%	(167,213)	1%	(147,899)
Decrease	(1%)	185,941	(1%)	164,961
Salary growth rate				
Increase	1%	189,872	1%	167,977
Decrease	(1%)	(173,580)	(1%)	(153,138)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied.

Expected maturity analysis

The weighted average duration of the defined benefit obligation is 37.04 years (2023: 35.28 years). The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	2024	2023
Less than a year	601,377	286,836
Between 1 - 2 years	352,720	290,123
Between 2 - 5 years	1,903,406	1,601,985
Over 5 years	2,183,826	1,790,154
Total	5,041,329	3,969,098

25 SHORT-TERM BORROWINGS

The Group has obtained a short-term loan facility from a local commercial bank at prevailing market rate. Such a loan amounting Saudi Riyals 3 million was obtained by pledging securities of Musharaka REIT Fund with a maximum exposure of Saudi Riyals 6.3 million (2023: Saudi Riyals 5.5 million). The loan will be settled during 2025.

26 ACCRUED EXPENSES AND OTHER LIABILITIES

	2024	2023
Accrued expense	1,962,588	1,387,561
Value added tax ("VAT") payable	3,874,285	1,147,231
Other	367,130	114,857
	6,204,003	2,649,649

Other liabilities include Saudi Riyals 229,915 payable to one of the funds managed by the Company. Also see Note 28.

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27 ZAKAT PROVISION**a) Zakat base**

ZATCA has issued a new regulation namely, “The Implementing Regulation for Zakat Collection”, under Minister of Finance Decision (MD) No. 1007 dated 29 February 2024 (Corresponding to 19 Shaban 1445H). The later replaces earlier issued regulation under MD No. 2216 dated 14 March 2019 (Corresponding to 7 Rajab 1440H).

Accordingly, the zakat base for the year ended 31 December 2024 has been calculated based on new regulations, whereas for the year ended 31 December 2023, the zakat base is based on the former regulations.

	<u>2024</u>	<u>2023</u>
Non-current assets	53,673,876	55,618,184
Non-current liabilities	12,937,297	15,630,009
Equity opening	89,207,526	80,908,741
Profit for the year before zakat	21,758,418	9,606,458

Some of these amounts have been amended in calculating the zakat charge for the year.

b) Provision for zakat

The movement in zakat provision for the year ended 31 December is as follows:

	<u>2024</u>	<u>2023</u>
At 1 January	1,331,609	1,329,353
Charge for the year	1,486,850	1,100,000
Paid during the year	(1,618,459)	(1,097,744)
At 31 December	1,200,000	1,331,609

c) Status of zakat certificates and assessments

The Group has filed its zakat returns and obtained zakat certificates for the years through 2023.

For 2014 to 2021:

The Group has concluded its assessments with the ZATCA for the years 2014 to 2016, and 2018 to 2021 with a total additional amount of Saudi Riyals 0.35 million, out of which Saudi Riyals 48,721 was paid during 2024.

For 2017:

The Group has paid an amount of Saudi Riyals 0.85 million during year 2024, and cleared its position with ZATCA thereby concluding the assessments for year 2017.

For 2022 and 2023:

No additional assessments were raised by the ZATCA for the year 2022 and 2023.

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28 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Group's shareholders, associated and affiliated companies and their shareholders, board of directors, and also include entities controlled, jointly controlled or significantly influenced by such parties ("Affiliate").

The prices and terms of the transactions were approved by the Board of Directors of the Company. Transactions with related parties for the year ended 2024 and 2023 are described as follows:

Related Party	Relationship	Nature of transaction	2024	2023
La Perla Fund II	Managed Fund	Performance fee	13,107,802	6,858,308
		Management fee	6,869,570	
Musharaka Saudi Equity Fund	Managed Fund	Management fee	45,959	132,125
Musharaka Murabahat and Sukuk Fund	Managed Fund	Management fee	221,599	45,188
Musharaka REIT Fund	Associate	Management fee	14,768,105	18,982,165
Al khoyool Al-Arabia residential fund	Managed Fund	Management fee	2,233,149	2,315,117
Al-Majediah Real Estate First Fund	Managed Fund	Management fee	-	568,091
		Management, structure and arranging fee	2,852,250	1,954,329
Al Majediah residence Fund	Managed Fund	Management and arranging fee	2,128,801	1,914,936
Musharka Safa Fund	Managed Fund	Management fee	84,952	24,253
Musharaka Margin Financing Fund		Brokerage Income	611,813	
Alkhayala Ellite Complex	Managed Fund	Management fee	1,947,772	2,122,880
Ramz Tharwah Real Estate Fund	Managed Fund	Management fee	975,047	755,574
Al-Majediah Offices Tower	Managed Fund	Management fee	952,603	404,657
Darco Signature	Managed Fund	Structure fee	-	500,000
Itqan Capital Comapny	Managed Fund	Custody fee	-	153,089
Azdan Real Estate Fund	Managed Fund	Management fee	894,451	
		Subscription fee	208,720	
		Structuring fee	500,000	
Msakin Suk Real Estate Fund	Managed Fund	Management fee	1,154,013	
		Subscription fee	529,200	
		Structuring fee	500,000	
Adeer Real Estate Company	Affiliate	Advisory fee	3,690,000	-
Sumou Holding Company	Affiliate	Lease paid	(1,524,600)	(1,524,600)

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28 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**Due from related parties:**

	2024	2023
Musharaka REIT Fund	8,357,216	11,239,509
Al-Majediah Residence Al-Khobar Fund	965,604	2,156,644
La Perla II Fund	2,200,913	1,152,170
Al khoyool Al-Arabia residential fund	486,384	725,283
Signature Darco Real Estate Fund	575,000	575,000
Musharaka Safa Fund	696,674	416,988
Ramz Tharwah Real Estate Fund	307,520	293,910
Alkhayalah Elite Complex Fund	623,851	106,106
Al-Majediah Real Estate First Fund	-	46,010
Musharaka Margin Financing Fund	43,571	27,891
Musharaka Saudi Equity Fund	8,563	20,512
Musharaka Murabahat and Sukuk Fund	44,206	9,289
Adeer Real Estate Company	483,000	-
Al-Majediah Office Tower Fund	274,617	-
Azdan Real Estate Fund	368,036	-
Msakin Suk Real Estate Fund	459,972	-
Armas	500,000	-
	16,395,127	16,769,312

Due to related parties:

	2024	2023
Musharaka Margin Financing Fund	229,915	-

As at 31 December 2024, amounts payable to Musharka Margin Financing Fund represent balances payable in relation to Murabaha deals.

Key management personnel compensation

Key management personnel of the Group comprises the key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2024	2023
Short-term employee benefits	2,260,323	3,621,394
Employee benefit obligations	4,476,503	3,965,087
	6,736,826	7,586,481

During 2024, the Group has been approved the bonus for board members and key members of management amounting to Saudi Riyals 0.9 million (2023: Saudi Riyals 1.2 million).

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29 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and controls financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade and other receivables, investments, borrowings, accounts payable and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability are offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Fair value and cash flow Interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

If Saudi Interbank Offered Rate ("SAIBOR") had been 1% higher or lower with all other variables held constant, the impact on the equity and profit before zakat for the year ended 31 December 2024 would have been immaterial.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars (which is pegged with Saudi Riyals). The Group's management believes that the impact of any fluctuations is immaterial.

MUSHARAKA CAPITAL COMPANY

(A Saudi closed joint stock company)

Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (continued)**Price risk**

The risk that the value of a financial instrument will fluctuate as a result 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's financial assets and liabilities are not exposed to price risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	2024	2023
Financial assets		
Investments carried at fair value through profit or loss	30,096,543	29,538,282
Account receivables	26,908,744	18,155,793
Other receivables	7,981,505	967,159
Cash and cash equivalents (excluding cash in hand)	1,149,798	1,584,090
	66,136,590	50,245,324

Provisioning policy

The Group allocates each exposure to a credit risk grade-based credit risk characteristic and the days past due. The expected loss rates are based on the payment profiles of the customers on due dates.

The loss allowance is measured on lifetime ECLs: ECLs result from all possible default events over the expected life of a financial instrument.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

2024	Carrying amount	Contractual cash flows		
		Less than 1 year	1 year to 5 years	More than 5 years
Non-derivative financial liabilities				
Long-term loan	9,259,122	2,000,000	7,000,000	-
Short-term loan	6,000,009	6,000,009	-	-
Other liabilities	6,463,126	6,463,126	-	-
Lease liabilities	3,468,478	1,368,128	2,100,350	-
	25,990,737	25,990,737	9,100,350	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk (continued)**

2023	Carrying amount	Contractual cash flows		
		Less than 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>				
Long-term loan	10,338,062	1,000,000	9,000,000	
Short-term loan	3,000,000	3,000,000	9,000,000	-
Other liabilities	2,649,649	2,649,649	-	-
Lease liabilities	2,649,649	2,649,649	-	-
	20,740,327	7,737,833	12,664,432	

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

Fair value of assets and liabilities

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

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Group measures instruments quoted in an active market at a market price, because this price reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Group recognizes transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

Level 1 - quoted (unadjusted) market price in active markets for identical assets or liabilities; and

Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

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29 FINANCIAL RISK MANAGEMENT (continued)**Fair value of assets and liabilities (continued)****Categories of financial assets and financial liabilities**

As at 31 December 2024							
Carrying amount				Fair value			
Amortized							
Fair value	cost	Total	Level 1	Level 2	Level 3	Total	
Financial assets							
Investments carried at fair value through profit or loss	30,096,543	-	30,096,543	24,196	30,072,347	-	30,096,543
Accounts receivable	-	26,908,744	26,908,744	-	-	-	-
Other receivables	-	7,981,505	7,981,505	-	-	-	-
Cash at banks	-	1,145,351	1,145,351	-	-	-	-
	30,096,543	36,035,600	66,132,143	24,196	30,072,347	-	30,096,543

Financial liabilities

Long-term borrowings	-	9,259,122	9,259,122	-	-	-	-
Short-term borrowings	-	6,800,009	6,800,009	-	-	-	-
Accrued expenses and other liabilities	-	2,329,178	2,329,178	-	-	-	-
Lease liabilities	-	3,468,478	3,468,478	-	-	-	-
	-	21,856,787	21,856,787	-	-	-	-

As at 31 December 2023							
Carrying amount				Fair value			
Amortized							
Fair value	cost	Total	Level 1	Level 2	Level 3		Total
Financial assets							
Investments carried at fair value through profit or loss	29,538,282	-	29,538,282	2,732,824	26,805,458	-	29,538,282
Accounts receivable	-	18,155,793	18,155,793	-	-	-	-
Other receivables	-	967,159	967,159	-	-	-	-
Cash at banks	-	1,584,090	1,584,090	-	-	-	-
	29,538,282	20,707,042	50,245,324	2,732,824	26,805,458	-	29,538,282

Financial liabilities

Long-term borrowings	-	10,338,062	10,338,062	-	-	-	-
Short-term borrowings	-	3,000,000	3,000,000	-	-	-	-
Accrued expenses and other liabilities	-	1,502,418	1,502,418	-	-	-	-
Lease liabilities	-	4,752,616	4,752,616	-	-	-	-
	-	19,593,096	19,593,096	-	-	-	-

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Notes to the consolidated financial statements for the year ended 31 December 2024 (continued)

(Expressed in Saudi Riyals unless otherwise stated)

29 FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

Measurement of fair values

The valuation of public traded investment classified under level 1 is based upon the closing market price of that security as of the valuation date, less a discount if the security is restricted. The fair value of level 2 fixed-income investment and funds are taken from reliable sources. Fair values of other investments classified in Level 3 are, where applicable, determined based on discounted cash flows.

Cash and cash equivalents, receivables from related parties and the financial liabilities except employee benefit obligations are measured at amortised cost.

30 ASSETS UNDER MANAGEMENT

Assets under management outstanding at the end of the year in respect of mutual funds amounted to Saudi Riyals 3,094 million (2023: Saudi Riyals 2,516 million). Consistent with its accounting policy, such balances are not included in the Group's financial statements as these are held by the Group in fiduciary capacity.

31 CONTINGENCIES AND COMMITMENTS

At 31 December 2024, the Group has no significant commitments. See Note 25 for zakat assessments.

32 RECLASSIFICATIONS

Certain comparative amounts for the year have been reclassified to conform to the current year presentation. These reclassifications do not affect the reported net income. Below are the reclassifications made:

Description	Amount before reclassification	Reclassification impact	Amount after reclassification
Brokerage services expense	1,747,975	1,359,375	3,107,350
General and administrative expenses	32,479,167	1,359,375	31,119,792

33 SUPPLEMENTAL NON-CASH INFORMATION

	Note	2024	2023
Supplemental non-cash investing and financing activities			
Recognition of RoU asset and lease liability	11, 23	662,179	-
Additions to investments carried at fair value through profit or loss against fund management fee	15	4,618,590	3,429,153
		5,280,769	3,429,153

34 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 25 Ramadan 1446H (corresponding to 25 March 2025).