

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
together with the
INDEPENDENT AUDITOR'S REPORT

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
Independent Auditor's Report and Consolidated Financial Statements
For the year ended 31 December 2024

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KPMG Professional Services Company

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P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة بي بي إم جي للاستشارات المهنية مساهمة مهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٤٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the Shareholders of Merak Capital Company

Opinion

We have audited the consolidated financial statements of **Merak Capital Company** ("the Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, consolidated statement of profit or loss and other comprehensive income, consolidated changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for 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 is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, the 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Independent auditor's report

To the Shareholders of Merak 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 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 the 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of the Group.

KPMG Professional Services Company



Fahad Mubark Al Dossari

License No:469

Riyadh: 27 March 2025
Corresponding to 27 Ramadan 1446H

MERAK CAPITAL COMPANY
 (A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 As at 31 December 2024
 (Saudi Arabian Riyals)

	<u>Note</u>	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property and equipment	(8)	2,105,406	1,432,128
Right of use assets	(9)	885,469	1,438,709
Investment carried at fair value through profit or loss	(10)	4,382,892	1,271,192
Total non-current assets		7,373,767	4,142,029
Current assets			
Cash and cash equivalents	(5)	8,714,170	3,851,812
Prepayments and other current assets	(6)	2,073,744	1,309,199
Receivables from funds under management	(7)	11,136,878	13,509,352
Total current assets		21,924,792	18,670,363
Total assets		29,298,559	22,812,392
EQUITY AND LIABILITIES			
Equity			
Share capital		6,000,000	6,000,000
Accumulated profit		12,342,941	3,502,802
Statutory reserve	(16)	480,045	480,045
Total equity		18,822,986	9,982,847
Non-current liabilities			
Lease liability	(9)	404,621	990,725
Employee end of service benefits	(13)	1,131,687	522,269
Total non-current liabilities		1,536,308	1,512,994
Current liabilities			
Accrued expenses and other liabilities	(11)	7,915,799	10,602,213
Lease liability	(9)	582,283	472,366
Provision for zakat	(12)	441,183	241,972
Total current liabilities		8,939,265	11,316,551
Total liabilities		10,475,573	12,829,545
Total liabilities and equity		29,298,559	22,812,392

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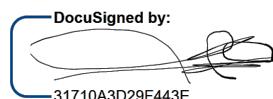
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MERAK CAPITAL COMPANY
 (A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024
 (Saudi Arabian Riyals)

	<u>Note</u>	31 December 2024	31 December 2023
Revenue	(14)	28,461,440	20,090,620
Operating expenses			
General and administrative expenses	(15)	(18,852,442)	(14,919,546)
Marketing and advertising expenses		(406,950)	(97,248)
Unrealized gain on financial assets at FVTPL	(10)	230,672	94,394
Operating profit		9,432,720	5,168,220
Special commission income		299,280	-
Special commission expense	(9)	(62,839)	(63,247)
Profit before zakat		9,669,161	5,104,973
Zakat expense	(12)	(468,114)	(241,972)
Profit for the year		9,201,047	4,863,001

Other comprehensive income for the year***Items that will not be classified subsequently to profit or loss***

Re-measurement loss on employees benefit liabilities	(13)	(360,908)	(62,547)
Total other comprehensive loss for the year		(360,908)	(62,547)
Total comprehensive income for the year		8,840,139	4,800,454

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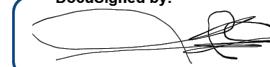
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The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

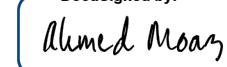
MERAK CAPITAL COMPANY
 (A Closed Joint Stock Company)
COSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2024
 (Saudi Arabian Riyals)

	<u>Share Capital</u>	<u>Accumulated Profit / Losses</u>	<u>Statutory Reserve</u>	<u>Total</u>
Balance as at 1 January 2023	6,000,000	(817,607)	-	5,182,393
Profit for the year	-	4,863,001	-	4,863,001
Transfer to statutory reserves	-	(480,045)	480,045	-
Other comprehensive income for the year	-	(62,547)	-	(62,547)
Total comprehensive income for the year	-	4,320,409	480,045	4,800,454
Balance as at 31 December 2023	<u>6,000,000</u>	<u>3,502,802</u>	<u>480,045</u>	<u>9,982,847</u>
Balance as at 1 January 2024	6,000,000	3,502,802	480,045	9,982,847
Profit for the year	-	9,201,047	-	9,201,047
Transfer to statutory reserves	-	-	-	-
Other comprehensive income for the year	-	(360,908)	-	(360,908)
Total comprehensive income for the year	-	8,840,139	-	8,840,139
Balance as at 31 December 2024	<u>6,000,000</u>	<u>12,342,941</u>	<u>480,045</u>	<u>18,822,986</u>

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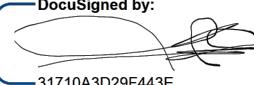
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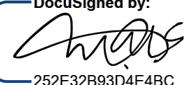
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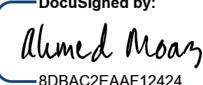
The accompanying notes from 1 to 22 form an integral part of these consolidated financial statements.

MERAK CAPITAL COMPANY
 (A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
 For the year ended 31 December 2024
 (Saudi Arabian Riyals)

	<u>Note</u>	31 December 2024	31 December 2023
Cash flows from operating activities			
Profit for the year		9,201,047	4,863,001
Adjustments for:			
Depreciation of property and equipment	(8)	508,442	408,026
Depreciation of right of use assets	(9)	553,240	474,627
Special commission expense	(9)	62,839	63,247
Employee benefits	(13)	277,838	237,154
Unrealized gain on investment at FVTPL	(10)	(230,672)	(94,394)
Zakat expense	(12)	468,114	241,972
		10,840,848	6,193,633
Changes in operating assets and liabilities:			
Prepayments and other current assets	(6)	(764,545)	(531,587)
Receivables from funds under management	(7)	2,372,474	(12,912,570)
Accrued expenses and other current liabilities	(11)	(2,686,414)	9,951,359
Cash generated from operating activities		9,762,363	2,700,835
Finance cost paid	(9)	(66,661)	(65,558)
End of service benefit paid	(13)	(29,328)	(36,796)
Zakat paid	(12)	(268,903)	(103,716)
Net cash generated from operating activities		9,397,471	2,494,765
Cash flows from investing activities			
Investment carried at fair value through profit or loss	(10)	(2,881,028)	(318,985)
Addition to property and equipment	(8)	(1,181,720)	(261,214)
Net cash used in investing activities		(4,062,748)	(580,199)
Cash flows from financing activities			
Payment against lease liability	(9)	(472,365)	(560,467)
Net cash used in financing activities		(472,365)	(560,467)
Net increase in cash and cash equivalents		4,862,358	1,354,099
Cash and cash equivalents at beginning of the year		3,851,812	2,497,713
Cash and cash equivalents at end of the year		8,714,170	3,851,812

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MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Arabian Riyals)

1. ORGANIZATION AND ITS ACTIVITIES

Merak Capital Company, is a Saudi Closed Joint Stock Company incorporated in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010501220 dated 24 Rabi' I 1440H (corresponding to 31 December 2018). The principal activities of the Company include managing non-real estate private mutual funds, managing experienced sophisticated investment portfolios, and advising on securities business under the license of the Capital Market Authority No. 18194-32 dated 3 Rabi' I 1440H (corresponding to 11 November 2018).

The head office of the Company is located at 6959 Prince Turki Bin Abdulaziz Al Awwal Rd - Al Muhammadiyah Dist. Unit No 65, Riyadh 12364 - 2848 Kingdom of Saudi Arabia.

On 27 September 2024 (corresponding to 24 Rabi' I 1446H), the Company established a fully owned new subsidiary, Exel First Business Solution (Limited Liability Company), with a capital of SR 100,000 to provide professional, consulting, scientific, and technical services. The subsidiary is registered under Commercial Registration ("CR") number 1009107218. Its head office is in Riyadh, Kingdom of Saudi Arabia.

The consolidated financial statements comprise the financial statements of Merak Capital Company ("the Company") and subsidiary (collectively referred to as the 'Group').

2. BASIS OF PREPARATION

2.1 *Statement of Compliance*

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

2.2 *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis, except for measurement of Investment at fair value through profit or loss which are measured at fair value and end of service benefits which are measured using projected unit credit method under IAS-19, using the accrual basis of accounting and the going concern concept.

2.3 *Functional and presentation currency*

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentation currency of the Group.

2.4 *Critical accounting estimates and judgement*

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Arabian Riyals)

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its fully owned subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as that of the company, using consistent accounting policies.

Subsidiaries are the entities that are controlled by the Company. The control over an investee arises when, someone has power over the investee, and it is exposed, or has a right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over that investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The control indicators set out below are subject to management's judgements that can have a significant effect in the case of the Company's interests in securitization vehicles and investments funds. Specifically, the Company controls an investee if and only if the Company has:

- Power over investee (i.e., existing rights that give current ability to direct relevant activities of 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 amount of its returns

When the Company has less than majority of voting / similar rights of an investee entity, it considers relevant facts and circumstances in assessing whether it has power over the entity, including:

- The contractual arrangement with the other voters of the investee entity
- Rights arising from other contractual arrangements
- Company's current and potential voting rights granted by equity instruments such as shares

The Company re-assesses whether or not it controls an investee entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of income from the date the Company gains control until the date the Company ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of consideration received or recognises the fair value of any investment retained or recognises any surplus / deficit in consolidated statement of profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

All inter-group balances, transactions, income and expenses are eliminated in full in preparing consolidated financial statements. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies adopted by the subsidiary are consistent with that of Company's accounting policies. Adjustments, if any, are made to the financial statements of the subsidiary to align with the Company's consolidated financial statements.

Investment funds

The Company acts as Fund Manager to a number of investment funds. Determining whether the Company controls such an investment fund usually focuses on assessment of the aggregate economic interests of Company in the Fund (comprising any carried profit and expected management fees) and the investors' rights to remove Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in all cases and therefore has not consolidated these funds.

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Arabian Riyals)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these financial statements unless otherwise stated and the material accounting policies applied in the preparation of these consolidated financial statements are set out below.

a) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated. Financial assets and financial liabilities at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus / (minus) transaction costs that are directly attributable to their acquisition or issue.

Classification and subsequent measurement

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI) – debt investment;
- Fair value through other comprehensive income (FVOCI) – equity investment; or
- Amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 amortised 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Arabian Riyals)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) *Financial instruments (continued)*

Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

MERAK CAPITAL COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(Saudi Arabian Riyals)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition of financial instruments

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for receivables are always measured 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, that includes forward-looking information.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Financial instruments (continued)

Classification and subsequent measurement (continued)

Impairment of financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- the off taker is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand and short term highly liquid deposits with an original maturity of three months or less, which are available to the Group without any restrictions. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) *Revenue recognition*

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- i. Identify the contracts with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;
- ii. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;
- iii. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;
- iv. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation: and
- v. Recognize revenue when (or as) the Group satisfies a performance obligation at a point in time or over time.

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

- i. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- ii. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance obligations completed to date.

Where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

The Group recognises fees from funds as per the agreement. These include:

- Management fee income is recognized over time based on agreement with funds.
- Accelerator services income is recognized over time based on agreement with fund.
- Subscription fee is recognised at point in time based on subscription agreement.
- Formation fee is recognised at point in time based on agreement with funds.

d) *Property and equipment*

Items of Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes expenditures that are directly attributable to the acquisition of these assets, including the cost of purchase and any other costs directly attributable to bring the assets to a working condition for their intended use.

Subsequent expenditure is recognised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset is included in the profit or loss when the asset is derecognized.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) *Property and equipment (continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their residual values, on a straight-line basis over the estimated useful lives and is generally recognized in profit or loss.

At each reporting date, the Group reviews the carrying amounts of the Property and equipment to determine whether there is any indication of impairment. If any indication exists, then the assets recoverable amount is estimated.

e) *Intangible assets*

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or the process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resource to complete development and to use or sell the asset.

Intangible assets pertain to digital investor portal software.

f) *Accrued expenses and other liabilities*

Accrued expenses and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest/commission rate method.

This includes, at the Company's discretion rebates provided to certain stakeholders under management, based on specific criteria.

g) *Impairment of non-financial assets*

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) *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 of 2.5% of the zakat base as defined in the regulations.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Employee benefits

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

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- re-measurements.

The Group presents the first two components of defined benefit costs (i.e. service cost and interest expense) in profit or loss in relevant line items.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries and annual leave which are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

j) Leases

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

As a lessee

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

k) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2024. The Group has assessed that the amendments have no significant impact on the Group's consolidated financial statements.

Standards / Amendments	Description
Amendments to IAS 1	Classification of liabilities as current or non-current and non-current liabilities with covenants
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements
Amendments to IFRS 16	Lease liability in a sale and leaseback transaction

a) New IFRS standards, IFRIC interpretations and amendments thereof issued but not yet effective

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective are listed below. The Group intends to adopt these standards when they become effective.

Standards / Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the consolidated financial statements.

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5. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Current accounts with banks	8,714,170	3,851,812

This comprises of balances held with local banks having A- credit rating by Fitch rating agency which is in line with globally understood definition of investment grade.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2024	31 December 2023
Professional services	657,556	59,383
Licensing and subscriptions	356,333	208,011
Insurance	318,578	156,969
Advance to suppliers	164,117	167,345
Others	577,160	478,291
Subscription fee receivable	-	239,200
	2,073,744	1,309,199

7. RECEIVABLES FROM FUNDS UNDER MANAGEMENT

	31 December 2024	31 December 2023
Accelerator services fee (Note 7.1)	8,740,000	-
Expenses incurred for funds (Note 7.2)	2,396,878	1,258,305
Formation fee	-	10,220,625
Management fee	-	2,030,422
	11,136,878	13,509,352

7.1 This pertains to the subsidiary of the company, Exel First Business Solution, which provides comprehensive accelerator services to the Merak Gaming Fund, a fund managed by Merak Capital Company. These services include mentorship, workshops, operational support, and an investor readiness program under the accelerator agreement.

7.2 These represent payments made on behalf of the funds under the Company's management. Significant transactions for the year ended 31 December 2024, are as follows:

Name of the fund	Nature of transactions	31 December 2024	31 December 2023
		2024	2023
Merak Private Equity Fund- II	Formation Fee	432,000	8,892,000
Merak Private Equity Fund- III	Formation Fee	753,437	2,576,850
Merak Private Equity Fund – Data & Digitization	Management Fee	6,348,966	4,602,626
Merak Technology Ventures Fund	Management Fee	3,259,851	3,281,250
Merak Private Equity Fund- III	Management Fee	2,348,734	2,006,014
Merak Private Equity Fund- II	Management Fee	5,592,524	990,706
Merak Gaming Fund	Management Fee	2,016,428	-

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8. PROPERTY AND EQUIPMENT

	<u>Furniture and Fixture</u>	<u>Electronics and Equipment</u>	<u>Leasehold Improvements</u>	<u>Capital work in progress</u>	<u>Vehicles</u>	<u>Total</u>
COST:						
Balance as at 31 December 2023	515,791	421,404	1,160,803	76,421	-	2,174,419
Additions during the year	279,695	209,260	449,185	42,950	200,630	1,181,720
Balance as at 31 December 2024	795,486	630,664	1,609,988	119,371	200,630	3,356,139
Accumulated Depreciation:						
Balance as at 31 December 2023	113,833	146,468	481,990	-	-	742,291
Depreciation charge for the year	65,161	102,100	318,754	-	22,427	508,442
Balance as at 31 December 2024	178,994	248,568	800,744	-	22,427	1,250,733
Net Book Value as at 31 December 2024	616,492	382,096	809,244	119,371	178,203	2,105,406
Net Book Value as at 31 December 2023	<u>401,958</u>	<u>274,936</u>	<u>678,813</u>	<u>76,421</u>	-	<u>1,432,128</u>

8.1 Capital work in progress represents software under development amounting to SR 119,371 (2023: SR 76,421).

9. RIGHT OF USE ASSET AND LEASE LIABILITY

The Group operates in leased premises and has recognized a right of use asset and corresponding lease liability as follows:

	<u>2024</u>	<u>2023</u>
Right of use Asset		
Balance at the beginning of the year	1,438,709	1,167,099
Additions	-	746,237
Depreciation charge for the year	<u>(553,240)</u>	<u>(474,627)</u>
Balance at the end of the year	885,469	1,438,709
	<u>2024</u>	<u>2023</u>
Lease Liability		
Balance at the beginning of the year	1,463,091	1,279,632
Additions	-	746,237
Special commission expense	62,839	63,247
Payments	<u>(539,026)</u>	<u>(626,025)</u>
Balance at the end of the year	986,904	1,463,091

9.1 Amounts recognized in statement of profit or loss

	<u>31 December 2024</u>	<u>31 December 2023</u>
Depreciation charge for the year	553,240	474,627
Special commission expense	62,839	63,247
	<u>616,079</u>	<u>537,874</u>

9.2 Amounts recognized in statement of financial position

	<u>31 December 2024</u>	<u>31 December 2023</u>
Current liability	582,283	472,366
Non-current liability	404,621	990,725
Total lease liability	986,904	1,463,091

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10. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024	31 December 2023
Balance at the beginning of the year	1,271,192	857,813
Additions during the year	2,881,028	318,985
Unrealized gain	230,672	94,394
Balance at the end of the year	4,382,892	1,271,192

10.1 The Company has invested in the Merak Technology Ventures Fund, a fund under management by subscribing 8 units at SAR 250,000 each. As of 31 December 2024, 65.35% of the commitment has been called, with SAR 432,048 paid during the year.

10.2 The Company subscribed to 612,245 units of the Merak Gaming Fund, a fund under management at SAR 10 per unit, totaling SAR 6,122,450. By year-end, 40% of the commitment had been called on December 18, 2024, and SAR 2,448,980 was paid on December 22, 2024. These investments are measured at fair value through profit or loss.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2024	31 December 2023
Management fee received in advance	2,208,114	1,856,300
Salaries and employee related expenses	1,730,268	2,900,000
Advisory and card services	1,653,910	154,005
VAT payable	1,545,937	2,976,109
Accrued and other liabilities	777,570	2,715,799
	7,915,799	10,602,213

12. ZAKAT

a) Zakat status

The Company has filed its zakat return up to 31 December 2023 with the Zakat, Tax and Customs Authority ("ZATCA"). No assessments have been raised by ZATCA.

b) Zakat base

Significant components of Zakat base as of 31 December are as follows:

	31 December 2024	31 December 2023
Net profit for the year	9,201,047	5,104,973
Adjustments to net profit:	-	370,527
Net profit for the year	9,201,047	5,475,500
Shareholders' equity	6,000,000	6,000,000
Retained earnings / Accumulated loss	12,342,941	(817,607)
Statutory Reserve	480,045	-
Other liabilities and provisions - net of adjustments	1,236,621	1,764,643
Right of use assets	(885,469)	(1,438,709)
Property and equipment	(2,105,406)	(1,432,128)
Zakat base	17,068,732	4,076,199
Zakat expense	468,114	241,972
Provision for zakat	441,183	241,972

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12. ZAKAT (CONTINUED)

c) Provision for Zakat movement

The movement in Zakat provision for the year ended 31 December was as follows:

	31 December 2024	31 December 2023
Balance at beginning of the year	241,972	103,716
Zakat expense for the year	468,114	241,972
Payments made during the year	(268,903)	(103,716)
Balance as of 31 December	441,183	241,972

13. EMPLOYEE END OF SERVICE BENEFIT

	31 December 2024	31 December 2023
Balance at the beginning of the year	522,269	259,364
<i>Included in profit or loss</i>		
Current service cost	249,282	218,920
Interest cost	28,556	18,234
	277,838	237,154
<i>Included in other comprehensive income</i>		
Re-measurement (gain) / loss:		
Actuarial (gain) / loss arising from		
- experience adjustment	360,908	62,547
Other	360,908	62,547
Benefits paid	(29,328)	(36,796)
Balance at the end of the year	1,131,687	522,269

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

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2024	31 December 2023
Discount rate (%)	5.30	4.65
Future salary growth (%)	6.80	4.65
Duration of liabilities (years)	7.54	7.44

a) Sensitivity analysis

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

	31 December 2024	
	Increase by 0.5%	Decrease by 0.5%
Discount rate	1,081,699	(1,166,834)
Future salary growth	1,158,314	(1,089,244)
	31 December 2023	
	Increase by 0.5%	Decrease by 0.5%
Discount rate	503,463	(542,357)
Future salary growth	538,603	(506,795)

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14. REVENUE

	31 December 2024	31 December 2023
<u>Over the time</u>		
Management fee	19,566,503	9,171,750
Accelerator fee (Note 14.1)	7,600,000	-
<u>Point in time</u>		
Formation fee	1,185,437	9,269,070
Subscription fee	109,500	1,649,800
	<u>28,461,440</u>	<u>20,090,620</u>

14.1 This pertains to the subsidiary of the company, Exel First Business Solution, which provides comprehensive accelerator services to the Merak Gaming Fund, a fund managed by Merak Capital Company.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2024	31 December 2023
Salaries and employee related expenses	12,288,712	10,737,665
Professional and legal fees	2,407,024	1,223,821
Government and subscriptions fees	1,113,053	734,993
Depreciation on right of use assets	553,240	474,627
Office expenses	553,127	312,247
Depreciation on property and equipment	508,442	408,026
Insurance expense	468,496	288,688
License and CMA fee	57,980	77,930
Stationery and publications	79,907	42,464
Others	822,461	619,085
	<u>18,852,442</u>	<u>14,919,546</u>

16. STATUTORY RESERVE

In accordance with the previous Regulations for Companies in Saudi Arabia, the Company was required to set aside a statutory reserve, after the absorption of any accumulated losses, by appropriating at least 10% of the annual net income until the reserve equaled 30% of the Company's share capital. This reserve was not available for distribution.

However, with the recent revision of the Company Law, the statutory reserve requirement has been removed. It is now at the discretion of the Company, through its By-laws, to establish a reserve for specific purposes. In line with this, the Company has updated its By-laws during the year. As a result, there has been no transfer from the net income to the statutory reserve during the year.

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17. RELATED PARTY

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include Board of Directors and Key Management Personnel. The related party transactions are made at mutually agreed terms as approved by the Board of Directors.

a) Balances with related parties, other than those disclosure elsewhere in the consolidated financial statements, are as follows:

<u>Related parties</u>	<u>Nature of transactions</u>	31 December	
		2024	2023
Audit Committee	Compensation	240,250	183,000

b) Significant transactions, other than those disclosure elsewhere in the consolidated financial statements, made during the year ended 31 December 2024 are as follows:

<u>Related parties</u>	<u>Nature of transactions</u>	31 December	
		2024	2023
Audit Committee	Compensation	243,250	177,000

c) Key management personnel compensation comprised the following:

	31 December	31 December
	2024	2023
Short-term benefits	2,928,982	1,560,000
Post-employment benefits	515,273	231,507
	<u>3,444,255</u>	<u>1,791,507</u>

18. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

Market risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market variables such as special commission rates, equity prices and foreign exchange rates. Market risk can be categorized into currency risk, commission rate risk and equity price risk.

a) **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Arabian Riyals (SAR) and US Dollar (USD). As the SAR is pegged to the USD, the Group is not exposed to any significant currency risk.

b) **Commission rate risk**

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. As of 31 December 2024, the Group does not hold any commission bearing instrument and accordingly, the Group is not exposed to commission rate risk.

c) **Equity price risk**

Equity price risk is the risk that the value of the Group's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The Group's investments are susceptible to equity price risk arising from uncertainties about future prices.

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group is exposed to credit risk mainly arising from cash and cash equivalents and receivables from funds under management.

The Group's risk management policies and processes are designed to identify and analyze risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

The maximum exposure to credit risk for the Group was as follows:

	31 December 2024	31 December 2023
Cash and cash equivalents	8,714,170	3,851,812
Receivables from funds under management	11,136,878	13,509,352
Other current assets	-	239,200
	19,851,048	17,600,364

Credit risk on bank balances is assessed to be minimal as these balances are callable on demand and held with banks with A- credit rating by Fitch rating agency. Credit risk on receivables from funds under management and other assets are assessed to be minimal based on historical default and the fact that they are receivables from funds under Company's management.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Group's approach to managing liquidity is to ensure it always has sufficient liquidity (or access to sufficient liquidity) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Group's reputation.

The contractual maturity profile of the financial assets and financial liabilities of the Group as of 31 December 2024 was as follows:

	Within 3 months	3-12 months	More than 1 year	No fixed maturity	Total
31 December 2024					
Cash and cash equivalents	8,714,170	-	-	-	8,714,170
Receivables from funds under management	11,136,878	-	-	-	11,136,878
Financial assets – Total	19,851,048	-	-	-	19,851,048
Accrued expenses and other liabilities	7,915,799	-	-	-	7,915,799
Financial liabilities – Total	7,915,799	-	-	-	7,915,799

	Within 3 months	3-12 Months	More than 1 year	No fixed maturity	Total
31 December 2023					
Cash and cash equivalents	3,851,812	-	-	-	3,851,812
Receivables from funds under management	13,509,352	-	-	-	13,509,352
Other current assets	-	239,200	-	-	239,200
Financial assets – Total	17,361,164	239,200	-	-	17,600,364
Accrued expenses and other liabilities	8,745,413	-	-	-	8,745,413
Financial liabilities – Total	8,745,413	-	-	-	8,745,413

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18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Group's activities either internally or externally at the Group's service provider level and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Group manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective of managing operational risk is to ensure control of the Group's resources by protecting the assets of the Group and minimizing the potential for financial loss.

The Group's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

As of 31 December 2024, the Group's management assessed that the fair values of cash and cash equivalents and receivables from funds under management approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is reported at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Valuation models

The fair value of investments in funds is determined primarily using the latest available Net Asset Value (NAV). As of the reporting date, the investments in funds under management of the Company include the Merak Technology Ventures Fund, which is valued based on its Net Asset Value (NAV) as of December 31, 2024, and the investment in the Merak Gaming Fund is recorded at its initial fair value on the purchase date, December 22, 2024. Since the investee's financial position, market conditions, and operations have remained stable, with no significant changes between the purchase date and year-end, the Group considers the year-end fair value to be a reasonable approximation of the initial fair value.

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Group's financial assets and financial liabilities measured and recognized at fair value including their levels in the fair value hierarchy at 31 December 2024 on a recurring basis. 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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19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>31 December 2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
<i>Investments at fair value through profit or loss</i>				
Merak Technology Ventures Fund	-	<u>1,933,912</u>	-	<u>1,933,912</u>
Merak Gaming Fund	-	<u>2,448,980</u>	-	<u>2,448,980</u>
Total	<u>-</u>	<u>4,382,892</u>	<u>-</u>	<u>4,382,892</u>
<u>31 December 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
<i>Investments at fair value through profit or loss</i>				
Merak Technology Ventures Fund	-	<u>1,271,192</u>	-	<u>1,271,192</u>
Total	<u>-</u>	<u>1,271,192</u>	<u>-</u>	<u>1,271,192</u>

Financial instruments by category

The classification of financial assets by category are included in the below table.

<u>31 December 2024</u>	<u>Amortized cost</u>	<u>FVTPL</u>	<u>FVOCI</u>
Cash and cash equivalents	<u>8,714,170</u>	-	-
Receivables from funds under management	<u>11,136,878</u>	-	-
Other current assets	-	-	-
Investment carried at fair value through profit or loss	-	<u>4,382,892</u>	-
Total	<u>19,851,048</u>	<u>4,382,892</u>	<u>-</u>
<u>31 December 2023</u>	<u>Amortized Cost</u>	<u>FVTPL</u>	<u>FVOCI</u>
Cash and cash equivalents	3,851,812	-	-
Receivables from funds under management	13,509,352	-	-
Other current assets	239,200	-	-
Investment carried at fair value through profit or loss	-	1,271,192	-
Total	<u>17,600,364</u>	<u>1,271,192</u>	<u>-</u>

As of statement of financial position date, all financial liabilities were measured at amortized cost.

20. CAPITAL MANAGEMENT

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

The Capital Market Authority has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, CMA prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology.

21. SUBSEQUENT EVENTS

No events occurred subsequent to the reporting date which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2024.

22. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements appearing on pages (1) to (25) have been approved by the shareholders on 27 Ramadan 1446H (corresponding to 27 March 2025).