ANNUAL REPORT 2023 ALKHABEER CAPITAL

الخبير المالية
Alkhabeer Capital

# ANNUAL REPORT 2023

**Alkhabeer Capital**

www.alkhabeer.com

CMA license 07074-37

CR 4030177445

Alkhabeer Capital is a Saudi joint stock company with an authorized capital of 894,523,230 Saudi riyals and regulated by the Capital Market Authority (CMA) and is licensed for the following activities of: Dealing, Custody, Managing investments and operating funds, Arranging, and Advising with license no. 07074-37 and CR No: 4030177445, Headquartered in An Nuzhah District, Madinah Road, P.O Box 128289, Jeddah 21362. It provides innovative world-class investment Shari'a-compliant products and solutions.

# IN THE NAME OF ALLAH, THE MERCIFUL, THE COMPASSIONATE

King Salman bin Abdulaziz Al Saud

Custodian of the Two Holy Mosques

HRH Prince

Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince and Prime Minister

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# CORPORATE OVERVIEW

Alkhabeer Capital is regulated by the Capital Market Authority and licensed for the following activities of: Dealing, Managing Investments and Funds, Arranging, Advising, Custody and Brokerage with license No. 07074-37 and CR No. 4030177445. Alkhabeer's Sharia-compliant operations are distinguished by a deep understanding of client needs and the overall risk climate.

Alkhabeer Capital aspires to become the partner of choice for shariah-compliant investment products and services, with a comprehensive approach aimed at creating partnerships with clients and seeking to provide investment opportunities and invest in them. The Company has successfully consolidated these partnerships by investing its own capital to generate added value to its shareholders and clients, with the support of a team of high caliber professionals with broad expertise and diverse experience.

Alkhabeer capitalizes on its proven track record to reap the benefits of investment opportunities arising from economic and regulatory developments. The company's investments are diversified by sector and geography across the Kingdom of Saudi Arabia, the wider GCC region and global markets.

Alkhabeer's Asset Management division provides varied investment opportunities in private equity, capital markets and real estate, accessible through the private and public offering of diverse classes of investment funds. Real estate investments focus on the acquisition of income-generating real estate assets in major cities across the Kingdom of Saudi Arabia, while private equity investments target defensive sectors such as education, healthcare, manufacturing and services.

The Company's Capital Markets Department also provides access to capital market opportunities through its private investment portfolio management services, structuring advisory, waqf wealth management, as well as independent administration and custody services for investment funds.

Alkhabeer's Brokerage Department manages the Company's brokerage business and provides services to clients, availing state-of-the-art technologies and best-in-class trading tools by entering into strategic partnerships to deliver on clients investment appetite whether in the local market through the main or parallel (NOMU) markets, as well as the bonds, sukuks or derivatives markets, or in the global markets through equity, exchange traded funds, global derivatives markets or currency exchange market (Forex).

The company is headquartered in Jeddah, with a branch in Riyadh, Kingdom of Saudi Arabia.

**19** Yeas of Success

**39** Launched Funds

**17** Exited Funds

**105** Experts

**10** Years Best Workplace

**46** Awards

## OUR VISION

To shape our industry by offering innovative investment solutions that will accelerate the financial well-being of all stakeholders.

## OUR VALUES

- **Integrity.** Take pride in upholding the highest ethical standards and placing the interests of our clients first.
- **Thought Leadership.** Anticipate changing needs of our stakeholders and creatively explore solutions to meet those needs.
- **Passionate Ownership.** Empower people to embrace responsibility and own our commitments to shareholders and clients.
- **Teamwork.** Encourage teamwork and collaboration to maximize the potential of our team.
- **Citizenship.** Assume responsibility and commitment towards communities in which we work.

## AWARDS

In recognition of Alkhabeer Capital's extraordinary corporate culture and its ongoing efforts to provide and build an outstanding workplace for its employees in order to excel in their achievements in the Kingdom financial sector, the Company was officially recognized by the leading global workplace culture authority, Great Place to Work® Middle East as the third Best Workplace in Saudi Arabia within the Small and Medium Sized Enterprises category and the first Best Workplace in the Saudi financial sector.

# HISTORY OF ACHIEVEMENTS

Alkhabeer Capital continues expending constant effort to develop its business and build an outstanding track record by providing effective investment solutions to fulfill the aspirations of its investors and clients in many sectors.

## 2023

### A New Age of Trading

- Alkhabeer Capital generates operating profits in excess of SAR 100 million.
- Almujtama Alraida Medical Company, the underlying asset of Alkhabeer Saudi Equity Fund II, is listed on the Saudi Parallel Market (NOMU).
- Launched Tadawul Service on Global Markets.
- Launched Margin Trading Service.
- Launched Alkhabeer Murabaha Fund.
- Increased the capital of Saudi Innova Healthcare, an underlying asset of Alkhabeer Saudi Private Equity Fund I, for the second consecutive year.

## 2022

### Alkhabeer Capital joins other active brokerage firms in the market to provide brokerage services

- Alkhabeer Capital signs an agreement with Wamid as part of its preparations to launch Alkhabeer Brokerage Platform.
- Listed Alkhabeer Growth and Income Traded Fund on the Saudi Stock Exchange.
- Listed AME Company for Medical Supplies Limited on the Parallel Market (NOMU), to become the first listed company owned by a private equity fund managed by Alkhabeer Capital.

## 2021

### Listing of the First Closed-ended Traded Investment Fund

- Listed Alkhabeer Diversified Income Traded Fund.
- Offered additional Units in Alkhabeer Real Estate Investment Traded Fund ("Alkhabeer REIT").

## 2020

### Establishment of the Brokerage Department

- Launched a traded income fund, the first of its kind in the Kingdom.
- Established the Brokerage Department of the Company.
- Exited a real estate investment fund.

## 2019

### Income Traded Funds

- Launched a public Waqf fund and exited 4 funds.
- Won first place as Best Workplace within the financial services sector.

## 2018

### Real Estate Traded Funds

- Launched the first real estate investment traded fund "Alkhabeer REIT", with total assets exceeding SAR 1 billion.
- Won first place as Best Workplace in the investment companies category.
- Won two awards: Best Private Equity Investment Company, and Best Asset Manager.

## 2017

### Investing in the Hospitality Sector

- Concurrently with the launch of the Saudi Vision 2030, we continued to focus on implementing our strategy targeting investment opportunities in the hospitality sector.
- Exited a private equity fund that invests in the industrial sector.

## 2016

### Income Generating Real Estate Assets

- Launched the first real estate investment income-generating fund and the first fund in the Hospitality sector.
- Exited a real estate fund.
- Won two awards: Best Workplace in Saudi Arabia and Best Workplace in Asia.

## 2015

### Investing in the Education Sector

- Launched the first private equity fund that invests in the education sector.
- Exited real estate investment fund.
- Won first place for Best Workplace within the financial sector.

## 2014

### Listing of the First Traded Fund Investing in Securities

- Listed the first income traded fund, the first of its kind in the Kingdom of Saudi Arabia.
- Offered additional units of Alkhabeer Real Estate Investment Traded Fund ("Alkhabeer REIT").

## 2013

### Portfolio Management

- Started offering discretionary portfolio management services to the Company's clients through Alkhabeer's Capital Markets Department.
- Won the "Best Employers in the Middle East" Award.

## 2012

### The First Private Equity Fund

- Launched the first private equity investment funds (industrial), and the first real estate investment fund in London, United Kingdom.
- Won the "Best Company for Islamic Portfolio Management" award.

## 2011

### Entry into Capital Markets

- Launched two funds to invest in capital markets, namely Alkhabeer GCC Equity Fund and Alkhabeer Global Commodity Fund.

## 2010

### First Real Estate Fund

- Entered the real estate investment sector with the launch of 4 real estate investment funds in the Kingdom of Saudi Arabia.

## 2008

### The Beginning

The Company received its Capital Market Authority (CMA) license to deal in securities as an underwriter, and provide managing, arranging, advising and custody services. Its name was changed to Alkhabeer Capital.

## 2004

### Incorporation

In 2004, a group of professional bankers established a consulting firm specialized in the development of Shari'a compliant investment products, advisory and placement services, including the placement of debt and equity securities.

# Financial Highlights

# FINANCIAL HIGHLIGHTS

## Earnings

| (SAR '000) | 2023 | Change* | Percentage* | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| Total Operating Income | **289,080** | 27,024 | 10% | 262,056 | 237,578 | 200,550 | 25,075 |
| Operating Expenses | **(136,433)** | 8,799 | 7% | (127,634) | (119,130) | (103,106) | (102,226) |
| Murabaha and Financing Expenses | **(45,426)** | 5,314 | 13% | (40,112) | (38,119) | (40,532) | (42,182) |
| Net Income before Zakat and Income Tax | **102,859** | 11,468 | 13% | 91,391 | 73,271 | 61,629 | (123,887) |
| Earnings per Share (SAR) | **1.15** | 0.13 | 13% | 1.02 | 0.82 | 0.69 | (1.43) |

## Financial Position

| (SAR '000) | 2023 | Change* | Percentage* | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| Shareholder's Equity | **1,106,146** | 58,045 | 6% | 1,038,267 | 982,871 | 909,484 | 848,882 |
| Total Assets | **1,966,629** | 73,152 | 4% | 1,893,477 | 1,842,370 | 1,982,536 | 1,735,880 |
| Investments | **1,628,302** | 41,491 | 3% | 1,586,811 | 1,409,203 | 1,428,153 | 1,338,360 |
| Total Liabilities | **870,317** | 15,107 | 2% | 855,210 | 859,499 | 1,073,052 | 886,998 |
| Assets Under Management | **8,175,594** | 92,077 | 1% | 8,083,517 | 7,076,747 | 5,469,925 | 4,206,149 |

## Profitability

| | 2023 | Change* | Percentage* | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|---|---|
| Operating Expenses-to-Income ratio | **47%** | -2% | -4% | 49% | 50% | 52% | 408% |
| Net Income Margin | **37.5%** | 1.1% | 3% | 36.40% | 34.30% | 31.7% | -493.90% |
| Return on Average Assets | **5.6%** | 0.5% | 9.8% | 5.10% | 4.30% | 3.4% | -6.8% |
| Return on Equity | **9.6%** | 0.6% | 6.6% | 9.0% | 7.7% | 7.0% | -13.5% |
| Return on invested capital | **12.6%** | 1.4% | -12.5% | 11.2% | 9.0% | 7.6% | -15.2% |
| Book Value per Share ** | **13,48** | ** | 5.6% | 12,77 | 12,09 | 11,18 | 10,44 |

* The changes of value and percentage between 2022 and 2023

** Based on Inception Capital

**Total Revenue** 289.1

Total revenue in 2023 increased by 10% to SAR 289.1 million compared with SAR 262.1 million for the previous year.


**Net Income after Zakat and Income Tax** 102.9

Net income after zakat and income tax has increased by 13% to record a net income after zakat and income tax of SAR 102.9 million comparing to a net income after zakat and income tax of SAR 91.4 million in 2022.


**Assets Under Management** 8.175

As of 31 December 2023, the Company Assets Under Management increased to SAR 8.175 billion vs. SAR 8.084 billion in 2022.


**Dividends Distributed** 44.7

Dividends distributed during the year 2023 amounted to SAR 44.7 million on December 31, 2023, an increase of 22% compared to the year 2022.

# INVESTMENT PORTFOLIO 2023

# INVESTMENT PORTFOLIO 2023

## CURRENT INVESTMENTS

| PRODUCT NAME** | TYPE | INCEPTION DATE | GEOGRAPHY | TARGETED EXIT YEAR | AUM SIZE* |
|---|---|---|---|---|---|
| **REAL ESTATE** | | | | | |
| 1 Alkhabeer Real Estate Opportunity Fund 1 | | 7-Dec-14 | Saudi Arabia | 2024 | 526.30 |
| 2 Alkhabeer Real Estate Residential Development Fund 2 | | 31-Dec-14 | Saudi Arabia | 2024 | 54.78 |
| 3 Alkhabeer Hospitality Fund 1 | | 22-Dec-16 | Saudi Arabia | 2024 | 94.04 |
| 4 Alkhabeer GCC Opportunity company | | 27-Dec-17 | Saudi Arabia | 2024 | 355.80 |
| 5 Alkhabeer Real Estate Opportunity Fund 2 | | 28-Dec-17 | Saudi Arabia | 2024 | 0.60 |
| 6 Alkhabeer REIT Fund | | 16-Dec-18 | Saudi Arabia | 2117 | 2,007.80 |

| PRODUCT NAME** | TYPE | INCEPTION DATE | GEOGRAPHY | TARGETED EXIT YEAR | PRODUCT SIZE* |
|---|---|---|---|---|---|
| **PRIVATE EQUITY** | | | | | |
| 1 Alkhabeer Education Private Equity Fund 1 | | 31-Dec-15 | Saudi Arabia | 2024 | 176.11 |
| 2 Alkhabeer Education Private Equity Fund 2 | | 30-Dec-18 | GCC | 2024 | 214.15 |
| 3 Alkhabeer Education Private Equity Fund 3 | | 31-Dec-18 | GCC | 2024 | 195.54 |
| 4 Alkhabeer Education Private Equity Fund 4 | | 31-Dec-18 | GCC | 2024 | 180.75 |
| 5 Alkhabeer Education Private Equity Fund 5 | | 15-Oct-20 | GCC | 2025 | 211.98 |
| 6 Alkhabeer Education Private Equity Fund 6 | | 28-Dec-20 | GCC | 2025 | 283.19 |
| 7 Alkhabeer Education Private Equity Fund 7 | | 27-Dec-20 | GCC | 2025 | 162.77 |
| 8 Alkhabeer Industrial Private Equity Fund 4 | | 14-Nov-21 | GCC | 2026 | 612.85 |
| 9 Alkhabeer Saudi Private Equity Fund 1 | | 29-Dec-21 | Saudi Arabia | 2026 | 561.75 |
| 10 Alkhabeer Saudi Private Equity Fund 2 | | 01-Dec-21 | Saudi Arabia | 2026 | 23.87 |
| 11 Alkhabeer Car Rental Private Equity Fund | | 21-Dec-22 | Saudi Arabia | 2027 | 422.56 |

| PRODUCT NAME** | TYPE | INCEPTION DATE | GEOGRAPHY | TARGETED EXIT YEAR | PRODUCT SIZE* |
|---|---|---|---|---|---|
| **CAPITAL MARKET** | | | | | |
| 1 Alkhabeer Waqf Fund 1 | | 14-Jan-20 | Saudi Arabia | NA | 10.75 |
| 2 Alkhabeer Diversified Income Traded Fund | | 07-Jan-21 | International | NA | 502.26 |
| 3 Alkhabeer Private Multi Asset Income Fund 1 | | 05-Dec-21 | International | 2026 | 385.14 |
| 4 Alkhabeer Growth & Income Traded Fund | | 27-Apr-22 | International | 2121 | 797.94 |
| 5 Alkhabeer Saudi Riyal Murabaha Fund | | 1-June-23 | Saudi Arabia | NA | 37.29 |
| 6 Managed Portfolios | | _ | _ | NA | 342.27 |

Public Funds - Open-Ended  Private Funds  Public Funds - Close-Ended  Public Funds - Close-Ended

* (SAR millions as of 31 Dec 2023, unless otherwise stated)

** These are Closed-Ended investment products which are established and offered by way of private placement, in compliance with the implemented regulations issued by the CMA.

*** The Fund remains under liquidation.



## EXITED INVESTMENTS

| PRODUCT NAME** | TYPE | INCEPTION DATE | GEOGRAPHY | EXIT DATE |
|---|---|---|---|---|
| **REAL ESTATE** | | | | |
| 1 Alkhabeer Land Development Fund 1 | | 01-Jul-10 | Saudi Arabia | 10-Mar-14 |
| 2 Alkhabeer Real Estate Fund 1 | | 1-Nov-10 | Saudi Arabia | 19-Oct-15 |
| 3 Alkhabeer Real Estate Fund 2 | | 1-Nov-10 | Saudi Arabia | 30-May-16 |
| 4 Alkhabeer Central London Residential Fund 1 | | 19-Nov-12 | UK | 19-Nov-18 |
| 5 Alkhabeer Saudi Real Estate Income Fund 1 | | 8-Dec-16 | Saudi Arabia | 20-Mar-19 |
| 6 Alkhabeer Land Development Fund 2 | | 7-Dec-11 | Saudi Arabia | 31-Jul-19 |
| 7 Alkhabeer Residential Real Estate Development Fund 1 (MASAKEN 1) | | 29-Dec-12 | Saudi Arabia | 29-Dec-20 |
| 8 Alkhabeer US Real Estate Income Fund | | 2-Jul-14 | US | 30-Jun-22 |

| PRODUCT NAME** | TYPE | INCEPTION DATE | GEOGRAPHY | EXIT DATE |
|---|---|---|---|---|
| **PRIVATE EQUITY** | | | | |
| 1 Alkhabeer Industrial Private Equity Fund 2 | | 29-Dec-13 | UAE | 24-Dec-17 |
| 2 Alkhabeer Industrial Private Equity Fund 1 | | 31-Dec-12 | UAE | 31-Dec-19 |
| 3 Alkhabeer SME Fund 1 | | 28-Dec-14 | Saudi Arabia | 31-Dec-19 |
| 4 Alkhabeer Healthcare Private Equity Fund 1 | | 31-Dec-14 | Saudi Arabia | 10-Jan-22 |
| 5 Alkhabeer Industrial Private Equity Company 3 | | 26-Dec-17 | GCC | 02-Apr-23 |

| PRODUCT NAME | TYPE | INCEPTION DATE | GEOGRAPHY |
|---|---|---|---|
| **CAPITAL MARKETS** | | | |
| 1 Alkhabeer GCC Equity Fund | | 03 Jul 2011 | GCC |
| 2 Alkhabeer Liquidity Fund "Hasseen" | | 12 Feb 2012 | GCC |
| 3 Alkhabeer Saudi Equity Fund | | 01 Jul 2013 | Saudi Arabia |
| 4 Alkhabeer IPO Fund | | 03 Dec 2015 | GCC, MENA |

# BOARD OF DIRECTORS REPORT SUMMARY

# BOARD OF DIRECTORS REPORT SUMMARY

## Esteemed Shareholders,

Thanks to Allah, your Company, Alkhabeer Capital, had an extraordinary fiscal year with unprecedented financial performance manifested by various key financial and operational achievements reflecting the Company's solid and effective strategy. Alkhabeer made significant progress towards achieving the objectives of the Board of Directors in its current term, which started on 3 January 2022.

It gives me pleasure personally and on behalf of the Board of Directors to present to you our Company's Annual Financial Report 2023.

## Economic Overview

The global economy encountered many challenges in 2023, with rising interest rates and persistent inflation driven by higher cost of living and energy prices. The contraction of certain economic activities combined with geopolitical events also contributed to declining global economic growth.

The Saudi economy witnessed many positive achievements in 2023, including the Kingdom's continuing to maintain its lead among G20 countries with the highest performing Purchasing Managers' Index (PMI). The Kingdom was also officially invited to join the Group of Developing Nations (BRICS). Moreover, Saudi Arabia's Tadawul All Share Index (TASI) gained 14.2% in 2023 and reached its highest closing level as at the end of the year.

On the other hand, the Saudi economy encountered in 2023 the challenges of voluntary oil output cuts implemented in accordance with the OPEC+ agreement, resulting in lower crude oil prices reaching US$ 83 per barrel in 2023 compared to US$ 101 per barrel in 2022, causing the decline of the oil sector's contribution to GDP. However, non-oil activities rose by 3.9% YoY.

## Financial Performance

Alkhabeer recorded an unprecedented performance in 2023, with operating revenues rising by 10% YoY to SAR 289.1 million. Net Income before Zakat and Income Tax increased by 14% YoY to SAR 108.5 million.

The Company's investments rose in 2023 by 3% YoY to SAR 1.6 billion, while Shareholders' Equity grew by 7% YoY to SAR 1.1 billion, and Book Value per Share reached SAR 13.50 based on initial capital. The Earnings per Share improved by 12% YoY to SAR 1.15 per share as at the end of 2023, or SAR 1.27 based on the initial capital.

Given the Company's outstanding financial performance, the Board resolved to recommend to the General Assembly to increase dividend distributions to shareholders to SAR 0.56 per share. This increase affirms Management's confidence of the future performance of the Company.

## Results of Operations

The Company reaped the fruits of its strategy for the first two years of its current three-year strategic plan (2022-2024), reaching many achievements revolving around the Company's framework for providing investment opportunities to be publicly offered by the Private Equity Department on the Main Saudi Stock Exchange (Saudi Tadawul) or the Parallel Market (NOMU).

Outstanding successes this year include the Capital Markets Department's launch of Alkhabeer Saudi Riyal Murabaha Fund and Alkhabeer Income and Alkhabeer Trade Finance discretionary portfolios. The Real Estate Department continued to implement it strategy seeking to restructure the Company's real estate investments portfolio and offer outstanding real estate investment products.

Alkhabeer's Corporate Finance Department restructured and arranged SAR 821 million in Shari'a compliant financing for the Company's various divisions and certain investment funds. In terms of successes achieved by the Brokerage Department, the Company started reaping the results of its expansionist strategy with a 451% increase in client base, compared to 2022.

## Enhancing Shareholder Value

The Board of Directors has set a number of objectives for its current three-year term starting on 3 January 2022, aimed at maximizing Shareholders' Equity in particular and the interests of clients and other partners in general. These objectives for the Shareholders were as follows:

- Increasing assets under management by more than 50% to exceed SAR 10 billion, and the Company's earnings by over 40% to exceed SAR 100 million. Management is also seeking to generate a return on equity in excess of 10%.
- The Board continued to optimize Zakat costs in collaboration with supervisory authorities concerned, endeavoring to define the right process for calculating the cost of Zakat related to the nature of activity of capital market institutions.
- Seeking to achieve sustainability in cash dividend distributions, with Management targeting the distribution of a maximum of 50% of the Company's annual net income to Shareholders, as of the beginning of 2022.
- Seeking to publicly offer the Company on Saudi Tadawul, to be one of the first capital market institutions to be publicly offered.

With the joint efforts of the Board of Directors and Executive Management, the Company achieved during the first two of its current three-year strategic plan, the majority of its first objects, and the full second and third objectives. It is currently working on completing its fourth objective by submitting its file for initial public offering on Saudi Tadawul, subsequent to the completion of the periodic inspection tour by the Capital Market Authority, being the supervisory authority. The Company intends to appoint the offering advisor during the second half of this year 2024.

## Environmental, Social and Governance (ESG) Practices

The periodic review of governance practices carried out in collaboration with the Chief Executive Officer and his team, has defined the right opportunities to reinforce the Company's governance framework. With our combined efforts, your Company achieved favorable results in terms of its operational performance, maximizing and solidifying trust with investors and partners.

Our review included an assessment of capital market challenges, as well as our existing capabilities and resources. As such, the Board acted and approved the introduction of certain amendments to the Corporate Governance Guide, as well as to a number of policies and procedures related to the Company's various departments, in line with best sound governance practices.

On the other hand, the Board continued to develop a number of technical aspects related to the Board and Board committees to keep abreast of capital market developments, globally and locally. A number of training sessions were held covering the subjects of cybersecurity, information security threats, and latest ESG developments, The Board endeavored to support the efforts expended by the Company's Management to enhance digitization and innovation, particularly in relation to cybersecurity threats, to ensure the protection of information technology, assess their effects on the efficiency of operations and improve services provided to clients. The Company is in the process of completing a project for measuring client satisfaction with the Company's investment product offerings, and measuring and assessing the Company's brand. In order to strengthen compliance with consistent standards for an integrated business environment, your Company won first place as Best Workplace within the financial services sector and third Best Workplace in Saudi Arabia.

In the environment and social responsibility, and as part of our role in the Saudi Green Initiative and our Company's strategic vision, we continued in 2023 to implement initiatives to minimize the effects of climate change, improve the quality of life and protect the environment. We have also successfully completed the second phase of the initiative for planting 1,000 trees in Jeddah.

Ammar Ahmed Saleh Shata
Chairman of the Board

A transparent and responsible business environment bolsters our business continuity and contributes to building strong relations with all stakeholders, including shareholders, clients, employees and the local community. In my capacity as Chairman, I would like to assure you of our unwavering commitment to strengthening governance practices and achieve sustainability in our business. We aspire for more progress and success over the coming years and value your understanding and continued support for these efforts.

## Outlook

In spite of the positive outlook, we realize that there are potential future risks, including market fluctuation, liquidity, economic and political volatility and regulatory developments. The Board gives special attention to cybersecurity threats and works with the Company's management on developing flexible strategies to deal with those risks and protect the interests of shareholders and clients.

From a forward-looking perspective, we feel confident and optimistic in the new challenges and opportunities 2024 will carry. Our joint cooperation with the Company's Management and our combined efforts will continue to provide a pillar for future success. We will also endeavor to consolidate our strategic objectives and provide value proposition to all stakeholders.

## Thanks and Appreciation

In conclusion, and on behalf of the Board of Directors, I would like to express my deep appreciation to the leadership and government of the Two Holy Mosques for its continued support, and to Alkhabeer's shareholders and stakeholders for their devout loyalty throughout a year filled with challenges. I would also like to thank the Company's Executive Management team and staff for their outstanding performance. Alkhabeer's staff reflect the true spirit of cooperation and devotion. Their dedication and perseverance have elevated your Company, Alkhabeer Capital, to higher levels of achievement.




# CHIEF EXECUTIVE OFFICER'S REPORT

Thanks to Allah, Alkhabeer Capital managed to maintain its performance and progressive development in 2023 with record income growth. We continued to achieve our strategic objectives with outstanding financial results. These ambitious leaps forward have consolidated our Company's position as a licensed capital market institution in the Kingdom of Saudi Arabia. We will present here highlights of the achievements and figures that materialized during this period.

## Overview

In spite of the challenges encountered by the global economy in 2023, due to rising interest rates and persistent inflation driven by higher cost of living and fuel prices, the contraction of certain economic activities combined with geopolitical events, and the challenges caused by the voluntary reduction of oil output under the OPEC+ agreement, resulting in lower crude oil prices reaching US$ 83 per barrel. However, Saudi Arabia's Tadawul All Share Index (TASI) made good gains in 2023, ending the year at high levels with a 14% increase in market capitalization, compared to 2022. The number of investors in public and private funds in Saudi Arabia surpassed the one million investor milestone in 2023 - for the first time, an increase of 66%, YoY.

## Financial Results

Alkhabeer achieved significant successes which reflected positively on its financial results. In 2023, Alkhabeer recorded a 10% increase in operating revenues to SAR 289.1 million, compared to SAR 262.1 million in 2022. Revenue growth was accompanied by an 8% increase in total costs which rose to SAR 181.9 million, compared to SAR 167.7 million for the previous year. Net Income after Zakat and Income Tax increased by 14% to SAR 108.5 million, compared to SAR 95.4 million in 2022, while Earnings per Share rose by 12% to SAR 1.15, compared to SAR 1.02 in 2022.

The Company's investments increased by 3% in 2023 to SAR 1.63 billion, compared to SAR 1.59 billion in 2022. Assets under Management totaled SAR 8.2 billion, compared to SAR 8.1 billion as at the end of the previous year, while Shareholders' Equity increased by 6% to SAR 1.1 billion, compared to SAR 1.04 billion in 2022.

## Results of Operations

Alkhabeer achieved a number of milestones in 2023 with its strategic transformation plans which helped consolidate its market position, diversify its investment offerings by promoting innovation, provide investment solutions and optimize its capital deployment. This included all of the Company's operations and activities.

The outstanding achievements of Alkhabeer's Private Equity Department included its successful direct listing of Almujtama Alraida Medical Company, an underlying asset of Alkhabeer Saudi Private Equity Fund II, on the Saudi Parallel Market (NOMU), with a total value of SAR 380 million.

Alkhabeer Saudi Private Equity Fund I highlights included its contribution to the capital increase of Innova Saudi Healthcare Company. The capital increase proceeds were used to acquire a number of pharmacies under the Company's strategic plan, seeking to expand the Company's business and maximize total returns to investors.

Additionally, Alkhabeer's Private Equity Department filed an application with the Capital Market Authority (CMA) and Saudi Tadawul Group (Saudi Tadawul) to publicly offer the shares of Integrated Development Education and Training Company, an asset owned by Alkhabeer Private Equity Education Funds (I to VII), on the main Saudi Stock Exchange (Tadawul).

The Capital Market Department continued to excel as its team successfully launched Alkhabeer Saudi Riyal Murabaha Fund and two discretionary portfolios, namely "Alkhabeer Income" and "Trade Finance" portfolios.

Alkhabeer's Real Estate Department remains committed to implementing its investment strategy focusing on offering unique income generating real estate investment products, which are managed to a high level of professionalism, fulfilling the Company's commitment of distributing periodic return to investors. The Department distributed a sum of SAR 59.8 million to Alkhabeer REIT Unitholders in 2023. It also completed exiting Alkhabeer Real Estate Investment Opportunities Fund II by selling the Fund owned plots of land, and continued its partial exit of Alkhabeer Real Estate Residential Development Fund II by selling the Fund's various residential units. The Real Estate Department's total assets under management exceeded SAR 3 billion in 2023 distributed among seven real estate investment funds.

The Brokerage Department saw a significant increase in its client base by 451% YoY, and a 225.90% increase in trading volume to SAR 3.38 billion.

To meet client and market requirements, Alkhabeer Brokerage Department launched its daily and long-term margin trading service through Alkhabeer Tadawul website. Trading in global markets and instant transfer services were added via "Alkhabeer Global" platform and application for trading in global markets to enable Alkhabeer's clients to invest efficiently and easily across all global markets. In addition, we also launched "Pro11" trading application with the "Tabee" service to help traders and investors optimize their investment decisions.

In line with Alkhabeer Capital's strategy aiming to provide an advanced state of the art brokerage platform to provide trading services to investors, Alkhabeer signed an agreement with Wamid, a Saudi Tadawaul Group subsidiary and a leader in innovative products and services.

To diversify and restructure corporate finance, Alkhabeer's Corporate Finance Department restructured and arranged SAR 821 million in Shari'a compliant financing for the Company and some of its investment funds. Highlighting the string of successes achieved by Alkhabeer Capital boosting client confidence in the Company, the client base (retail and institutional) grew by 25%, while recurring services increased by 23% as at the end of 2023, which reflects the satisfaction and trust of our clients.

Considering the evolving regulatory guidelines (CMA, Tadawul and NCA), and in order to achieve the strategic objectives of digitization and the continued development of the technical infrastructure securely and reliably, the Company has given cybersecurity top priority, and a dedicated Cybersecurity Section was established, operating independent of the Information Technology Department. A Cybersecurity Committee was also formed. All of these steps reflect the Company's commitment to the safety and protection of its data and information technology systems and achieve the highest levels of security to ensure the continuity of the Company's business and the reliability of services provided to clients.

Moreover, and in order to digitize and automate business processes, we have replaced our legacy ERP application, Oracle EBS, with Oracle Fusion, which provides a state of the art intuitive user interface with advanced functionality for financial management, including without limitation fiscal planning, supply chain management, human resources, analysis dashboard report and self-service.

Citizenship being one of Alkhabeer's values, the Company sought to maximize its Saudi staff. Percentage Saudization reached 83% in 2023.

In recognition of the Company's excellence and successes in 2023, Alkhabeer won first place as Best Workplace within the financial services sector and third Best Workplace in Saudi Arabia.

## Outlook

We are always optimistic about the future, looking forward with confident expectations, heartened by our good market reputation, vast experience and professionally qualified human capital.

Hence the Company will continue to expand the launch of its brokerage services to consolidate its client base, and maximize support to its business divisions, particularly since clients have now become more interested than ever before in reaching local, regional or global capital markets. The Company will also continue to offer unique products and innovative investment and finance solutions catering to client needs and fulfilling their aspirations. We are optimistically hopeful that this endeavor will bolster the role our brokerage services play in contributing to Alkhabeer Capital's sustainable growth in line with the Company's long term strategic plan.

In addition, the Company will continue to maintain its expansionary investment strategy. Therefore, our Real Estate Department will seek to acquire diverse real estate assets and develop Real Estate Investment Traded Funds (REITs) programs. Alkhabeer Private Equity Department will continue to capitalize on promising private equity investment opportunities, develop them and subsequently list them on the main Saudi Stock Exchange (Saudi Tadawul) or on the Parallel Market (NOMU).

The Capital Markets Department will continue to develop new and innovative investment products, and to expand the offering and listing of funds, generating long term capital growth and diverse stabilized income yield.

Furthermore, Alkhabeer Capital must continue to develop its information technology and cybersecurity infrastructure, in addition to investing in its human capital, and continuing to provide the best workplace, with the aim of attracting professional talent to achieve the Company's objectives.

In conclusion, I would like to thank our clients for their continued loyalty to Alkhabeer's investment products and brand, our Board of Directors for their unwavering support, our Executive Management Team for their sincere efforts and hard work, and our staff members for their dedication, devotion and perseverance. We reiterate our commitment to our stated objectives, guided by our adherence to the highest standards of good governance and social responsibility.

Ahmed Saud Hamza Ghouth
Chief Executive Officer

# MARKET OVERVIEW

# MARKET OVERVIEW

**The Saudi economy started 2023 on a positive note with higher crude oil prices and posted its first budget surplus in almost a decade. GDP growth decelerated over the past 12 months due to the implementation of oil production cuts, resulting in a notable decline in the oil sector's GDP contribution by 9.2% YoY in 2023. Non-oil activities continued their positive momentum, growing 4.6% YoY in 2023. Meanwhile, government activities rose by 2.1% YoY in 2023.**

According to the data released by the General Authority of Statistics (GASTAT), the 2023 real GDP contracted by 0.8% YoY. As per the latest statement by Ministry of Finance, the Kingdom recorded deficit of SAR 80.9 billion in 2023, mildly lower than the Ministry's budgeted forecast for deficit of SAR 82.0 billion in 2023. Full year revenues declined by 4.0% YoY in 2023, contributed by a 12% drop in oil revenue offset by the 11% increase in non-oil revenues, while total expenditure rose 11% YoY mainly driven by rise in capital expenditure by 30%. While oil production adjustments create near-term hurdles, the non-oil sector's strength and ongoing fiscal diversification efforts position Saudi Arabia for a brighter future.

In line with the monetary policy tightening from the US Fed, the Saudi Central Bank (SAMA) raised its reverse repo rate from 4.50% to 5.50%, besides increasing the repo rate from 5.0% to 6.0%, upping it by 25 bps each time on four separate occasions. Consequently, the average 3M SAIBOR for 2023 was around 5.9%, ranging from 5.38% in January to 6.32% in December 2023.

Saudi Arabia continued its lead position among the G20 countries with a highest performing PMI (Purchasing Managers' Index) in June 2023, despite geopolitical disruptions and uncertainty of supply chains around the world. Notably, the positive performance of the non-oil private sector contributed to the growth of the PMI, supported by strong domestic demand and high production levels. The monthly performance of most G20 countries was less than the neutral zone of 50 points due to subdued global demand and monetary tightening policy, which kept most countries in areas of contraction.

Among some notable developments, the BRICS officially agreed to invite Saudi Arabia to join the group of developing nations. The new Companies Law and its Executive Regulations came into force in January 2023 allowing the division of the stock nominal value. In November, Saudi Arabia won the vote of the general assembly of the Bureau International des Expositions (BIE) to host Expo 2030 and World Cup FIFA 2034 showing the Kingdom's ability to take up world class events.

## OIL GDP IS ESTIMATED TO DECLINE IN 2023, BUT NON-OIL GDP SET TO CONTAIN THE CONTRACTION

Based on GASTAT data, the Saudi economy contracted 0.8% YoY in 2023. The contraction resulted from decline in oil activities by 9.0%, which was partially offset by 4.4% YoY growth in non-oil activities. Oil revenue fell 12% YoY to SAR 754.5 billion, while non-oil revenue rose by 11.4% YoY to SAR 457.7 billion.

Oil sector GDP growth has been subpar in 2023 driven by both the oil output cuts and lower oil prices (averaged USD 83 per barrel in 2023 vs USD 101 per barrel in 2022). Non-oil sector has been resilient and displayed remarkable performance in 2023, adding around SAR 457.7 billion to the revenue and contributed about 37% to the total revenues.

## LOWER OIL PRODUCTION AND PRICES SLOWED SAUDI ECONOMY; NON-OIL SECTOR REMAINS STRONG

According to latest data from the MoF, Saudi Arabia reported a budget deficit of SAR 80.9 billion in 2023 mainly led by a sharp decline in oil revenue. Weaker crude oil prices and longer-than-expected voluntary oil production cuts in 2023 have hurt oil revenue and affected GDP. The Kingdom recorded SAR 1.21 trillion in total revenues, a 4% YoY decline, with SAR 754.56 billion contributed by oil and SAR 457.73 billion from non-oil revenues. The total expenditures in 2023 amounted to SAR 1.29 trillion.

Saudi Arabia's cabinet approved the budget for FY 2024 in December 2023. According to the MoF, the Kingdom posted a budget deficit of SAR 81 billion in 2023, while for 2024 it estimates the deficit of SAR 79 billion. Notably, the budget deficit in 2023 and expected for 2024 are in stark contrast to 2022, when the Kingdom had posted its first budget surplus in nearly a decade, amid geopolitical conflicts which led to a boom in oil prices.

The GASTAT data showed a 0.8% decline in the real GDP in 2023. The MoF's recent budget statement anticipates a 4.4% growth in real GDP in FY 2024, mainly driven by growth of non-oil GDP. The non-oil GDP growth is attributed to the slew of economic reforms, efforts to further accelerate the Kingdom's economic diversification, job creation and initiatives that establish private sector as a main driver of the economy.

For 2024, the Kingdom's estimated total revenue stands at SAR 1.17 trillion, while total expenditure is projected at SAR 1.25 trillion. As per the approval of National Debt Management Centre, financing needs of about SAR 86 billion are expected by the Kingdom in 2024 under a borrowing plan. Furthermore, the plan is committed to leveraging market opportunities to execute alternative government financing activities that promote economic growth, such as financing development and infrastructure projects. The country's public debt balance is anticipated to reach SAR 1.1 trillion or 25.9% of GDP by the end of 2024., a 1.1% YoY increase.

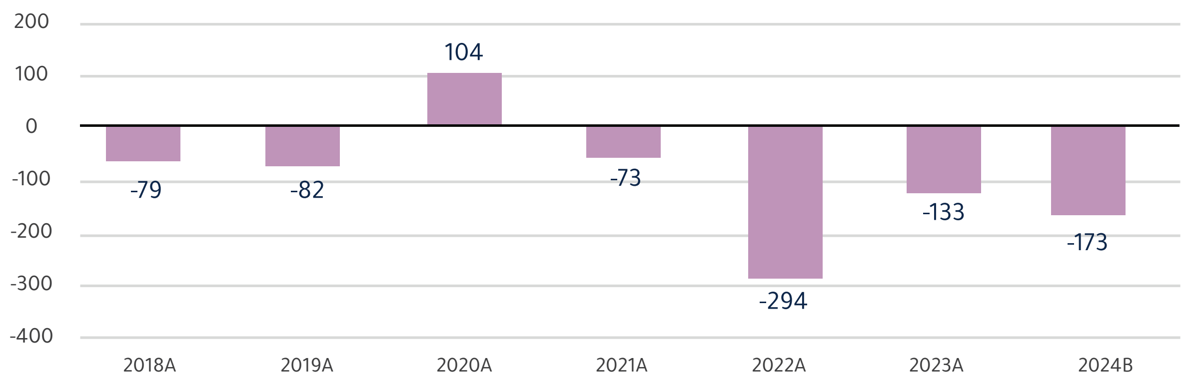
The non-oil sector expanded in 2023 and is expected to continue its growth trajectory in 2024, supported by the sub-sectors such as transport, storage, and communications. as private sector confidence continues to benefit from the government stimulus and policies on Saudi Vision 2030 realisation programs as well as infrastructure investments.

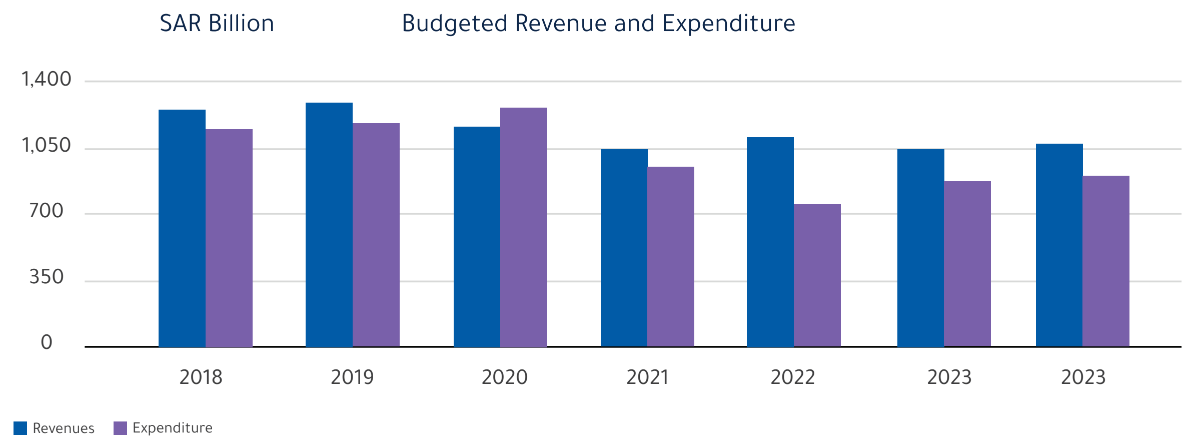
Notably, the budget expects continued growth in the non-oil economy to drive broader economic activity and thus non-oil revenues in 2024. The Saudi government's commitment to control spending, even as it continues to invest in a range of initiatives designed to expand and diversify the economy, will help to contain public expenditure during FY 2024. The 2024 budget intends to boost growth in the non-oil economy by bolstering spending and investments in infrastructure, local industry, and services.

The 2024 budget validates that the Kingdom will prioritize funding and supporting the implementation of programmes, initiatives, and economic transformation projects across the Gulf state. Government initiatives like social protection programs, cap on gas prices, and subsidies are expected to bolster private consumption, boost real incomes, and contain inflation, while strengthening the labour market. The recovery of Hajj pilgrims with removal of Covid-related restrictions in early 2023 is expected to boost the tourism & consumption while the domestic spending by the National Development Fund (NDF) and the Public Investment Fund (PIF) are expected to boost both public and private sector spending. However, the weak oil sector is providing below-potential support to the non-oil economy. Overall, these programs and initiatives are the main drivers behind the expected real GDP growth rate of 4.4% in 2024.

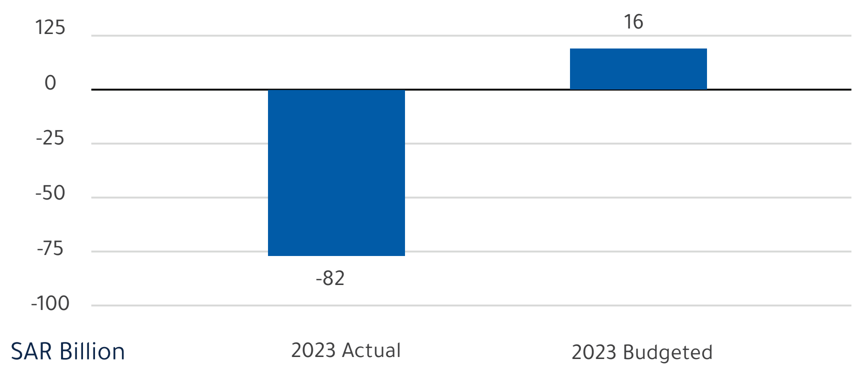
The MoF has reported a 4.6% YoY drop in total revenues in 2023 to SAR 1,212 billion. The drop in revenue is mainly driven by fall in oil prices, although the revenues are still higher than the revenue estimate of SAR 1,130 billion targeted in the 2023 fiscal year budget statement. Meanwhile, actual government spending in fiscal year 2023 stood at SAR 1,293 billion, compared to originally planned spending of SAR 1,114 billion. Expenditures on goods and services stood at about SAR 297 billion in 2023 versus SAR 218 billion projected in 2023 budget statement, the highest deviation (in nominal terms) from the planned budget on an operating expenditure (OPEX) basis.

## Budgeted Revenue and Expenditure




## ACTUAL VS BUDGETED SURPLUS/DEFICIT IN 2023




Source: Ministry of Finance

## WEAK GLOBAL OIL DEMAND GROWTH AND GEOPOLITICAL RISKS TO WEIGH ON THE DIRECTION OF OIL PRICES IN 2024

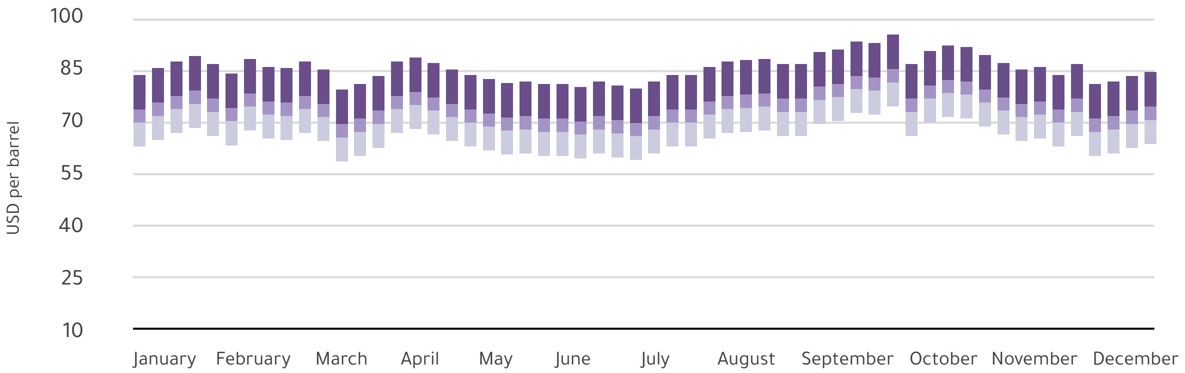
Saudi Arabia's oil revenues fell in 2023, due to volatility in oil prices and production cuts by the OPEC+. However, the non-oil sector showed resilience, posting a growth of 4.6% in 2023. In 2023, the Saudi Arabia's oil sector saw a substantial contraction of 9.2% YoY. This contraction resulted from voluntary oil production cuts aimed at supporting global prices. In July, Saudi Arabia, as a prominent player in the OPEC+ alliance, reduced oil production to nine million bpd amid indications of weakening demand due to a slowing global economy. In 2023, Saudi Arabia's overall revenue declined by 4.6% to SAR 1,212 billion. This decrease is primarily attributed to a decline in oil revenue, which constitutes nearly 60% of the total revenues. Factors contributing to this decline include lower oil production levels and oil prices in 2023. The oil price experienced a near 20% reduction, with Brent averaging USD 102.5 per barrel in 2022 compared to USD 82 per barrel in 2023. Notably, efforts led by Saudi Arabia within OPEC to support prices involved a reduction in oil output, resulting in Kingdom's supply decrease from 10.5 million bpd in 2022 to 9.6 million bpd in 2023).

According to the recent report from International Energy Agency (IEA), the world oil demand is on track to rise by 2.3 million bpd to 101.7 million bpd in 2023, but this masks the impact of a further weakening of the macroeconomic climate. The global oil demand for Q4 2023 has been revised down by almost 400 thousand bpd, with Europe accounting for more than half the decline. The IEA expects the slowdown to continue in 2024, with global gains halving to 1.1 million bpd, as GDP growth stays below trend in major economies. Besides, efficiency improvements and an increasing electric vehicle fleet also drags on the demand.

A Reuters survey of 34 economists and analysts expects Brent crude to average at USD 82.56 a barrel in 2024, lower than the USD 84.43 consensus in a November 2023 survey. Most analysts see oil demand to remain at a lower level in 2024 amid the geopolitical risks which will keep oil prices volatile in the coming months. The EIA predicts that the cuts from OPEC+ will keep the global oil production growth lower than the global consumption growth in 2024, contributing to inventory draws and higher prices in the beginning of the year.

Brent Crude Oil Spot Prices

### BRENT CRUDE OIL SPOT PRICES




Source: Factset

## SAUDI ARABIA'S FISCAL STRATEGIES NAVIGATE INFLATION CHALLENGES

According to the Saudi government's released budget statement, inflation rates during FY 2023 were influenced by demand and supply factors, including increased private domestic consumption despite rising interest rates since 2022. The supply chain management was disrupted due to the Russian-Ukrainian crisis. However, the Kingdom's fiscal and monetary policies mitigated the impact of inflation, resulting in a relatively stable deceleration of the inflation rate.

The average annual inflation consumer price index for 2023 increased by 2.3% compared to 2022, with significant rises in housing, water, electricity, gas, and other fuels prices by 7.9%, and food and beverages prices by 1.4%, affecting the overall index. Specifically, housing, water, electricity, gas, and other fuels prices increased by 7.9% in 2023, largely due to a 9.5% increase in actual rentals for housing. Moreover, restaurants and hotels prices rose by 4.1% due to a 5.7% increase in accommodation services prices. However few items in the basket also saw a decrease: clothing and footwear prices decreased by 3.1%, driven by a 4.8% decrease in garments prices, and furnishings, household equipment & maintenance prices decreased by 2.1%, largely due to a 4.0% decrease in furniture, carpets, and other floor coverings prices. Communications prices also decreased by 1.2%, primarily due to an 8.9% decrease in telephone and telefax equipment prices.

The IMF noted that Saudi Arabia has succeeded in maintaining its average consumer price index despite inflationary pressures faced by several countries across the globe. The Kingdom's annual inflation rate eased to record its lowest level in 2 years at 1.5% in December 2023, ranking the country 2nd among the G20 countries in terms of lowest inflation rates. The decline in inflation was due to the central bank's tightening monetary policy by raising the interest rate, in accordance with the US Federal Reserve decisions, and further supported by government measures related to fuel price stabilization and supporting strategic stocks of basic materials.

Investors priced in about 75 bps rate cuts in 2024, in sync with indication by the US FED's meeting notes. Given the high uncertainty about future interest rates, this forecast should be viewed sceptically, with the crucial factor being whether incoming economic data aligns with the Fed's expectations or not.

## PERFORMANCE METRICS OF SAUDI BANKS' HAVE REMAINED LARGELY HEALTHY DESPITE TIGHTER LIQUIDITY

The SAMA data on banking indicators continue to reflect robust levels of strength and safety. The total bank assets rose 9.3% YoY during 2023 to reach SAR ~4.0 trillion. Notably, it exceeds one of the Financial Sector Development Program (FSDP) targets for FY 2025 to bring assets at banks to SAR 3.5 trillion. This growth is attributed to surge in lending as the loan portfolio accounts for more than 65% of total assets. In terms of bank claims on the private sector, credit extended to the private sector grew by ~9.7% YoY for 2023, while loans, advances and overdrafts to private sector increased by 9.6% YoY in 2023. The continued growth of credit granted to the private sector has played a pivotal role in lessening the negative impact of the rise in interest rates on the growth of consumer loans.

Furthermore, the ratio of non-performing loans to total loans stood at low levels at 1.69%, below the levels before the COVID-19 pandemic, while the capital adequacy ratio (CAR) remained at 20.1% at the end of 2023. This is a testament of the safety levels in the Saudi banking sector, as the Basel Committee on Banking Supervision recommends that CAR not to be less than 10.5%.

By the end of 2023, total real estate loans granted by commercial banks to retail, and corporates jumped 11.5% YoY to reach ~SAR 767.3 billion. This growth is mainly due to government programs aimed at raising the percentage of home ownership by citizens. Loans granted to small, medium, and micro enterprises (SMEs) surged by 20.4% YoY during the same period, despite the rise in financing expenses. Until the end of 2023, the total bank credit rose by around ~10.0% YoY, suggesting continued growth in economic activity. During 2023, bank claims on the public sector also increased by ~7.7% YoY.

In November 2023, Fitch Ratings had retained the neutral outlook for Islamic banks in the Gulf Cooperation Council region for 2024. Fitch Ratings noted that liquidity pressure on Saudi banks has eased in 2023 and is expected to remain stable in 2024, with increased deposit inflows from government-related entities (GREs). While GRE deposits reached a record high at 31.2% of total banking system deposits by 2023 end, mostly in term deposits, the rise has raised the average cost of funding. The regulatory loans-to-deposits ratio (LDR) decreased by about 85 bps YoY to 80.7% in December 2023, supported by sector loans and deposits growing in tandem, easing pressure on Saudi banks.

## IMPRESSIVE JUMP IN PARTICIPATION OF SAUDIS IN THE PRIVATE SECTOR

According to most recent data from GASTAT, the overall unemployment rate in Q4 2023 increased slightly by 70 bps QoQ to 4.4%, while decreasing 40 bps YoY. Meanwhile, the unemployment rate for the Saudi population reached 7.7% in the fourth quarter, declining by 90 bps QoQ but declining by 40 bps YoY.

Notably, there has been a huge rise in the Saudis participation rate in the private sector, from 1.7 million in 2019 to 2.3 million during 2023, as recently reported by Saudi Ministry of Human Resources and Social Development (MHRSD). It indicated that more than 360,000 Saudis joined the market for the first time during 2019 to 2023.

The rise in the number of Saudis in the employment market is mainly due to the major reforms and supportive labour market strategy. Importantly, the continuous and accelerated growth of the private sector SMEs since the launch of Saudi Vision 2030 has been a key enabler of private jobs creation.

The persistent efforts to localize qualitative jobs and offer sustainable jobs has contributed to an increase in the number of Saudi workers in the private sector through the end of 2023 to 2.3 million employees. Furthermore, a recent report by the National Labor Observatory (NLO) revealed that the aggregate number of workers in private sector jobs in the Saudi economy at the end of 2023 was around 10.9 million, including Saudi and non-Saudi employees. The NLO report emphasizes a notable surge in new local talent entering Saudi Arabia's private sector, with 44,769 Saudi citizens joining in December.

Some Key Skill Development Initiatives Geared to Meeting Labour Market Needs

- In March, the Minister of Human Resources and Social Development launched five qualitative initiatives for developing skills and providing training for Saudi cadets. By end of 2025, the ministry aims to create 2.31 million private sector training opportunities. The setting up of National Training Campaign (Waad) with the aim of stimulating the private sector to provide training to Saudis was also announced.
- In August, the Kingdom's Ministry of Communications, and Information Technology (MCIT) launched an ambitious initiative named "Fuel" which aims to train 100,000 Saudi citizens for digital jobs. The transformative program is planned to be delivered through the Saudi Digital Academy (SDA), one of the MCIT's initiatives to empower the youth and equip them with today's required skills for the Saudi digital labour market. Saudi Arabia's labour authorities unveiled councils that intend to promote skills in 12 key sectors and meet the job market needs in the Kingdom. These councils will collaborate with competent agencies in the public and private sectors along with education and training institutions in setting plans, objectives, and skill programmes.
- In December, the Human Resources and Social Development Minister inaugurated the first-ever Global Labor Market Conference (GLMC) held in Riyadh, emphasizing the Kingdom's efforts to strengthen global labour markets, ensuring their adaptability with the frequent changes. He also highlighted the global diversity in Saudi labour market and its status as a preferred destination for top talents worldwide. The minister also expressed the Kingdom's commitment to collaborating with international partners aiming resiliency, particularly considering past international crises that demonstrated the need for a unified approach.

## TASI RECORDS IMPRESSIVE GAINS DESPITE MACROECONOMIC CHALLENGES

Saudi Arabia's Tadawul All Share Index (TASI) gained 14.2%, or 1,489 points, in 2023 to close the year at 11,967.4 points compared to 10,478.5 points by the end of 2022. Notably, TASI index reached its highest close level during the year on 31st of December. The total market capitalization at the end of the year stood at SAR 11,259.32 billion, witnessing an increase of 14.0% YoY. The total value of shares traded decreased by 22.0% in 2023 to SAR 1,333.12 billion. However, the total number of trades executed in 2023 rose by 7.0% to reach 94.02 million. The daily average value of shares traded during the year 2023 decreased by 22.3% to SAR 5,353.9 million.

In terms of total value of shares traded during 2023, Materials sector was the most active amounting to SAR 225.9 billion that represented 16.9% of the total value traded, followed by the Banking sector with SAR 221.4 billion that represented 16.61% and the Energy sector at SAR 120.3 billion or 9.0% of the total value traded during the year 2023.

Notably, 156 companies closed the year higher, while 50 stocks ended in the red. Etihad Atheeb Telecommunication Co. (GO) was the best performer during 2023, soaring 261%, followed by Middle East Healthcare Co. (Saudi German Health) and Arabian Pipes Co. rising by 247% and 219%, respectively. National Agricultural Development Co. (NADEC), Riyadh Cables Co., Elm Co., and Leejam Sports Co. (Fitness Time) rose between 142% and 186%. Alamar Foods Co. led the decliners with a 31% fall, followed by the Arab National Bank (ANB) that dropped 21%.

Prices of five REITs saw gains in 2023, while 13 REITs ended the year in red. Al Maather REIT and Bonyan REIT led the gainers with a rise of 12% and 7%, respectively. Musharaka REIT was the worst performer, tumbling 35%, followed by Mulkia Gulf Real Estate REIT that plunged 22%.

Key capital market developments and reforms:

- Tadawul launched its financial derivatives product allowing trading of single stock options contracts (SSOs) in 4 listed stocks. The first tranche of SSOs will be based on the following listed companies: Aramco, AlRajhi Bank, Saudi Telecom Co. and SABIC.
- In January 2023, the Saudi Exchange announced the listing and trading units of "Albilad MSCI US Tech." as an Exchange Traded Fund (ETF) on the Main Market in January 2023.
- The Capital Market Authority's (CMA) board reshuffle with King Salman issuing a royal order on the formation of a new board for the market regulator.
- Despite the global markets concerns, the Kingdom's IPO activity remained strong in the year 2023 with 8 IPOs on Tadawul and 27 on its parallel market NOMU, with total value offered of SAR 11.89 billion and SAR 1.09 billion, respectively. The market capitalization of IPOs on main market accounted to SAR 63.12 billion representing 0.56% of its total market cap while that of parallel market accounted to SAR 6.97 billion representing 14.44% of its market cap.
- In the meantime, the number of firms listed on the main market of the Saudi Stock Exchange (Tadawul) increased by 4% to 231 versus 223 in 2022, while the parallel NOMU market witnessed a 72% increase in the number of listed companies with 79 firms as compared to 46 in 2023.
- The Saudi Exchange launched four new indices, providing investors a broad range of investment benchmarks while enabling institutions to offer new products, based on company size and IPO performance.

The liquidity in the market was aided by continued activity of offerings, in addition to approving a set of amendments and regulatory measures to raise the efficiency of the Kingdom's stock exchange and attract investment. Some of the prominent regulatory amendments implemented in the year 2023 were:

- The new Companies Law and its executive regulations effective from the beginning of 2023.

- The adoption of the rules regulating foreign investment in securities.
- The adoption of amended financial adequacy rules.
- The amendment of the executive regulations of the Companies Law for listed companies and allowing foreigners to invest in real estate sector in Makkah and Madinah
- The CMA cancelled its share of the commission for trading sukuk and bonds and announced the start of receiving applications for the "Alternative Trading Law."

CMA data revealed that the asset value of discretionary portfolios increased by 18% to reach SAR 313.03 billion by the end of 2023 as compared to SAR 265.22 billion last year, increasing the number of portfolios under management in Saudi Arabia by approximately 322% by the end of 2023.

For the first time, the combined number of subscribers in both public and private investment funds in Saudi Arabia have surpassed 1 million, reaching 1,172,865 by 2023 end and posting 73% increase from 677,195 subscribers last year. The value of institutional investors' holding amounted to SAR 10,830.6 billion or 96.2% of total value of holdings by the end of 2023. The total number of public and private funds was reported to be 291 and 994, respectively. Interestingly, operating funds in the real estate industry had the highest number of subscribers among public and private investment funds.

## PIF CONTINUED TO PLAY A PIVOTAL ROLE IN SPEARHEADING KINGDOM's ECONOMIC TRANSFORMATION

The Public Investment Fund (PIF), the Kingdom's sovereign wealth fund, and a driver of Vision 2030, continued to play a crucial role in enabling Saudi Arabia's economic transformation by investing in strategic industries and establishing new companies.

The PIF continued to demonstrate its pivotal role in driving Saudi Arabia's economic transformation, actively realizing the objectives outlined in Vision 2030 through significant investments and the creation of influential entities. Notably, PIF was the top investor among global sovereign wealth funds spending USD 31.6 billion across 49 deals in 2023, up 33% from 2022.

Importantly, new tourism projects were announced inside NEOM in northwest Saudi Arabia and in the southwest Aseer region, where PIF established a developer called Ardara as well as the Aseer Investment Company. Moreover, Crown Prince Mohammed bin Salman announced a slew of projects, including the inclusion of Diriyah project as the fifth major project owned by the PIF and the launch of the New Square Development Co. to develop the largest downtown in Riyadh.

The fund announced several deals and strategic investments in 2023 aside from setting up new companies to strengthen and diversify the Kingdom's economy. Some notable investments included:

- Allocated SAR 5 billion to subscribe to new shares in prominent national construction companies. This substantial investment, distributed among Nesma & Partners Contracting Co., ElSeif Engineering Contracting Co., AlBawani Holding Co., and Almabani General Contractors Co., reflects PIF's commitment to fostering growth in the construction sector.
- Inauguration of Riyadh Air by the Crown Prince: In March, the Crown Prince, also the Prime Minister and PIF Chairman, unveiled the establishment of Riyadh Air, a national carrier wholly owned by the sovereign wealth fund. This strategic move positions PIF as a key player in the aviation industry, aligning with the broader economic objectives of the Kingdom.
- Sanabil Acquires Stake in Saudi Aramco: PIF's subsidiary, Sanabil Investments, secured a 4% stake in Saudi Aramco following the Crown Prince's announcement. This transaction reinforces PIF's role in critical sectors of the economy, contributing to the fund's diversified portfolio and long-term financial sustainability.
- Sawani: Nurturing the Camel Dairy Industry: PIF established Sawani Co., dedicated to fostering the growth of the Saudi camel farming industry, underscoring PIF's commitment to sustainable development and highlights its proactive role in supporting niche agricultural sectors with significant economic potential.
- Al Madinah Heritage Co. (MHC) for Ajwa Dates Production Enhancement: PIF established Al Madinah Heritage Co. (MHC) to enhance the quality and production capacity of Ajwa dates in the Madinah region. This strategic initiative aligns with PIF's focus on agribusiness, contributing to the development of the agricultural landscape and the promotion of local produce.
- Asfar, Driving Tourism Growth: PIF introduced the Saudi Tourism Investment Co. (Asfar) to stimulate the growth of the country's tourism sector. Asfar will invest in innovative tourism projects, developing attractive destinations with a comprehensive range of offerings, including hospitality, tourist attractions, retail, and food and beverage options, across cities in Saudi Arabia.
- PIF established Dan Company, specializing in agritourism and ecotourism. The company's focus on developing unique tourism projects around cities in Saudi Arabia, featuring captivating natural and farmed landscapes, aligns with PIF's broader vision for sustainable and diverse economic development.
- Accelerating Sports Sector Growth: PIF announced the establishment of SRJ Sports Investments Co., aimed at accelerating the growth of the sports sector in Saudi Arabia and the broader MENA region. This strategic move underscores PIF's commitment to diversifying its investment portfolio and contributing to the development of key sectors.
- PIF introduced Saudi Facility Management Co. (FMTECH), offering a comprehensive range of services, including utilities, energy, waste management, maintenance, housekeeping, security, and landscaping.
- Investment in Saudia Technic for Aviation Sector Advancement: PIF reinforces Saudi Arabia's position as a global aviation hub by investing in Saudia Technic. The strategic move was aimed to advance the maintenance, repair, and overhaul (MRO) capabilities of aircraft in the Kingdom, contributing to the development of a state-of-the-art MRO village.
- PIF announced the establishment of Al Balad Development Co. (BDC) to be the main developer of Jeddah's Historic District (Al Balad). This initiative demonstrates PIF's commitment to preserving cultural heritage while actively participating in urban development projects.
- PIF and Saudi Electricity Co. (SEC) collaborated to launch the Electric Vehicle Infrastructure Company, with PIF owning a 75% stake and SEC holding the remaining 25%. This joint venture underlines PIF's commitment to sustainable development and the promotion of electric vehicles in the Kingdom.
- PIF introduced Tasaru Mobility Investments, specializing in enhancing local supply chain capabilities for the automotive and mobility industry in Saudi Arabia. This strategic initiative aligns with PIF's focus on fostering innovation and resilience within the automotive sector.
- PIF and Hyundai Motor signed a joint-venture (JV) agreement to establish a highly automated vehicle manufacturing plant in Saudi Arabia. This collaboration signifies a major milestone in PIF's efforts to position the Kingdom as a key player in the global automotive industry.

## KSA REAL ESTATE MARKET COOLS IN 2023, BUT NEW VISA PROGRAM COULD SPARK LUXURY DEMAND

In 2023, KSA real estate transaction volumes decreased by 17% YoY to ~177,000, with the total deal value dropped by 9% YoY to SAR 197.7 billion. Transaction volumes declined in every city except Riyadh where transaction volumes rose by 7% YoY in 2023. Residential transactions accounted for 58.7% of all real estate deals by total value and saw a 16% YoY decline in number of transactions to ~150,000. Residential demand in Saudi Arabia has been facing headwinds in past 2 years due to record house price growth, along with affordability challenges and shifting demand dynamics.

Mortgage rates escalated from 3% to 5% over the last 12-months impacting the demand. The total number of mortgage contracts in year-to-November 2023 saw a significant decline of 35%, with the total value of mortgages issued declining by -36% to SAR 74.2 billion due to higher interest rates and prices moving potential buyers into a longer holding pattern.

In January 2024, new Premium Residency Visa choices were introduced by Board of the Premium Residency Center, including one linked to owning real estate. This visa requires owning a property valued at SAR 4 million or more, with no outstanding mortgages or debt against it. The announcement is anticipated to increase demand for luxury homes among international buyers.

## THE KINGDOM CHRONICLES SIGNIFICANT ADVANCES IN ENTREPRENEURSHIP, TECH, TOURISM, ENTERTAINMENT & VARIOUS OTHER AREAS

**Small and Medium Enterprises (SMEs):**

Notably, the year 2023 witnessed 14.7% YoY rise in number of SME's, totalling to 1.31 million with over 43% SMEs located in Riyadh. SMEs received a substantial boost through Monsha'at's comprehensive five-week upskilling events, strategically designed to attract funding, facilitate business expansion, and encourage entry into key sectors such as commercial franchise, healthcare, and legal services. Over 30 thousand SMEs and more than 130 thousand trainees benefitted from Monsha'at SMEs Support Centers and Academy respectively in the year 2023.

**Investments and Startup Triumphs:**

Saudi Arabia continued its upward trajectory in 2023, emerging as the top venture capital funding market (~52% of all VC deployed in the MENA region), with over USD 1.38 billion raised by Saudi based startups in 2023. VC funding in Kingdom grew at a CAGR of 86% from 2019 to 2023 and witnessed 33% YoY growth in 2023. USD 879 million was raised through four mega deals in financial technology and e-commerce sectors as the Q4 2023 proved to be the best quarter ever. Notable success stories include Saudi Arabia-based buy-now-pay-later platform Tabby and FinTech Tamara securing unicorn status with valuations exceeding USD 1 billion.

**Tech and Entertainment Milestones:**

In 2023, Saudi Arabia demonstrated remarkable progress on its path of economic expansion and diversification. The year kicked off with the announcement of its futuristic smart city, The Line. The Kingdom hosted the LEAP tech conference, with investments exceeding USD 9 billion to support tech startups and entrepreneurship. Additionally, the launch of the New Murabba project, the Saudi Arabian Grand Prix in Jeddah, the establishment of Riyadh Air, and international events like Riyadh Fashion Week and Soundstorm 2023 marked significant milestones in various fields, positioning Saudi Arabia as a dynamic player in the global arena.

**Tourism:**

The Kingdom attracted more than 100 million tourists in 2023, with considerable growth seen in visits from international travellers. The Kingdom hosted a total of 104 million tourists in 2023, with domestic tourists at 77 million and international tourists at 27 million. The tourism revenue created a new historical record in 2023, surpassing SAR 100 billion for the year as per Tourism Ministry. In July, the PIF established the Saudi Tourism Investment Company, or Asfar, to support the growth of the Kingdom's tourism sector. As per the new regulations issued in November 2023, the Saudi Red Sea Authority seeks to upgrade the quality and standards of coastal tourism services.

**Commercial Code Implementation:**

December 2023 marked a historic milestone with the enactment of Saudi Arabia's inaugural commercial code. This legislation provides clear guidelines for judges to follow across various domains, including real estate, contracts, tort, debt, and inheritance. Expected to have a far-reaching impact, this commercial code aims to enhance the Kingdom's business environment, attracting foreign investors by providing statutory requirements for judges to ensure legal certainty.



**Events Investment Fund (EIF) for Economic Transformation:**

Crown Prince Mohammed bin Salman launched the Events Investment Fund (EIF), a new initiative aimed at developing sustainable infrastructure for the Kingdom's culture, tourism, entertainment, and sports sectors. The EIF's key objectives include developing world-class infrastructure, attracting foreign investment and partnerships, empowering economic diversification, and investing in communities and the environment. The EIF envisions a direct investment of SAR 28 billion by 2045, strengthened public-private partnerships, and increased private sector contributions.

**Other Key Events:**

- The country hosted internationally acclaimed music icons in summer along with the third edition of AlUla's AZIMUTH Festival at the world-renowned cultural heritage site in September.
- Saudi Arabia became the 51st country to accede to the Treaty of Amity and Cooperation in July.
- In November, the Kingdom emerged victorious in its bid to host World Expo 2030. The event will be held in Riyadh under the theme "The Era of Change: Together for a Foresighted Tomorrow," and is expected to attract 40 million in-person visitors to a site measuring more than 6 million sq.m, along with a billion metaverse visits.
- Saudi Entertainment Ventures (Seven) launched a SAR 1.3 billion (USD 346.6 million) entertainment destination in the Aseer region, designed by global architecture firm Gensler which is expected to contribute more than SAR 4 billion to the GDP and attract 5+ million visitors by 2030, also creating numerable job opportunities in Aseer.
- In addition, Seven is investing more than SAR 50 billion to build 21 entertainment destinations in the kingdom as part of its mandate to develop the sector.

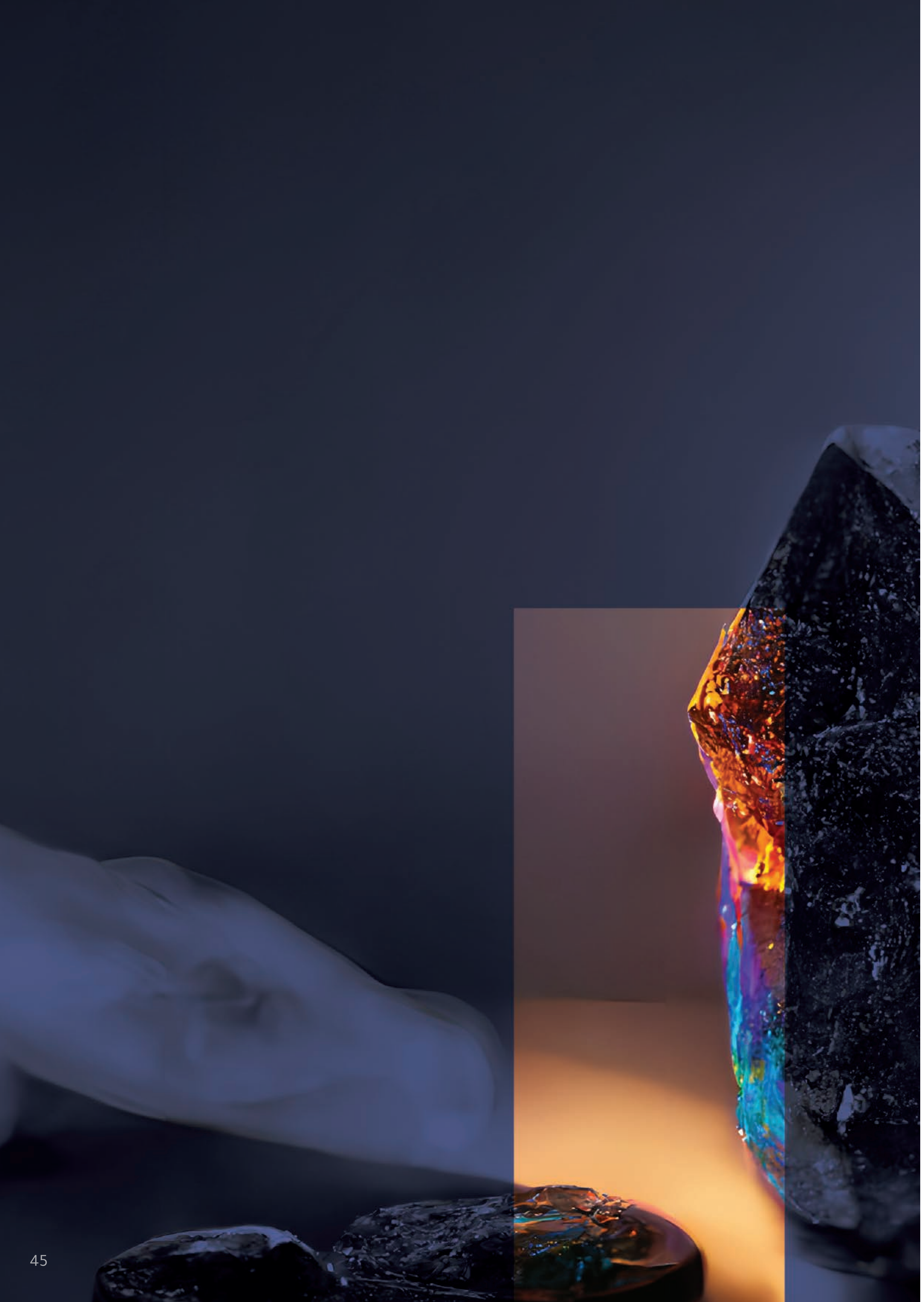
## KINGDOM'S ECONOMY SET TO REBOUND IN 2024; SOCIO-ECONOMIC DIVERSIFICATION TRACKING WELL IN LINE WITH VISION 2030

The impetus to non-oil activities in its budget, coupled with the slew of reforms that the Kingdom has undertaken to strengthen its legal and regulatory frameworks, deepen financial markets, develop new sectors in the economy and encourage foreign investment are expected to further bolster the non-oil private sector economy in 2024. Furthermore, the economic reforms serve as a key enabler for the private sector to raise the quality, efficiency, and digitization of services.

After experiencing strong GDP growth in 2022, the Kingdom's economy slowed considerably in 2023, primarily due to voluntary oil output cuts implemented in accordance with OPEC+ agreement, and lower crude oil prices vis-à-vis 2022. Yet the Kingdom's economy is expected to gradually rebound in 2024. As US FED has signalled cut in interest rates in 2024, the SAMA may reduce the repo rate and reverse repo rates in 2024.

The projections from World Bank and the IMF reflect a rebound in Kingdom's economic growth in 2024, compared to a GDP decline in 2023. The World Bank has raised its 2024 GDP growth forecast from 3.3% to 4.1%. Meanwhile, the IMF has recently (January 2024) reduced its 2024 economic growth projections for Saudi Arabia to 2.7%, down 130 bps compared to its earlier estimate in October 2023 for a 4.1% growth. The IMF revision factors in temporarily lower oil production in 2024. Despite extending the voluntary cuts in crude output earlier in 2023, the World Bank expects investment related to non-oil activity to be the key driver for future growth, considering projects under Vision 2030. As per the World Bank, migration and relatively low inflation in the Kingdom are expected to help sustain private consumption and investment.

# REVIEW OF ACTIVITIES AND OPERATIONS





# ASSET MANAGEMENT DIVISION

**Alkhabeer Capital's Asset Management Division (AMD) focuses on keeping abreast of economic conditions and market investment opportunities, while constantly assessing changing client needs to develop new investment solutions to cater to those needs and manage client investments in compliance with Shari'a principles and by adhering to the highest levels of governance.**

Alkhabeer Capital's current portfolio is comprised of 22 investment funds.

## 2023 HIGHLIGHTS

- Assets under management grew in 2023 by 1% to SAR 8.16 billion, compared to SAR 8.1 billion in 2022 in spite of the capital decrease of Alkhabeer Growth and Income traded Fund with the Fund's repurchase of 28% of its Units.
- In the Private Equity Department, Almujtama Alraida Medical Company, an asset owned by Alkhabeer Saudi Private Equity Fund II, was listed on the Saudi Parallel Market (NOMU).
- An application was filed with the CMA to list the shares of Integrated Development Education and Training Company, an asset owned by Alkhabeer Private Equity Education Funds (I to VII), on the main Saudi Stock Exchange (Tadawul).
- Received General Authority for Competition (GAC) approval to consolidate the assets owned by Alkhabeer Private Equity Industrial Fund IV. The name and visual identity of the consolidated company was changed from Al-Jawad Plastic and Flexible Packaging Factory Company to Takamul Production. The consolidation process is in progress in accordance with the Fund Board approved exit plan.
- Alkhabeer Saudi Private Equity Fund I contributed to the capital increase of Innova Saudi Healthcare Company. The proceeds were used to acquire additional pharmacies and expand the Company's business.
- In terms of real estate investments, Alkhabeer Real Estate Opportunities Fund II was exited in full, while Alkhabeer Real Estate Residential Development Fund II was partially exited.
- Alkhabeer Capital Markets Department established Alkhabeer Saudi Murabaha Fund and two discretionary portfolios, namely "Alkhabeer Income" and "Trade Finance" portfolios.

# REAL ESTATE DEPARTMENT

## The Real Estate Department focuses on providing unique real estate investment products, managing them professionally, and achieving outstanding performance, with the aim of providing competitive returns from direct ownership of real estate thanks to its in-depth experience in the sector and its disciplined approach to investment performance.

The Real Estate Department seeking to meet the needs of investors with different tolerances for risks and different goals in achieving returns, based on the philosophy of real estate investment management that is based on a deep understanding of the different needs of investors.

Income generating investment opportunities are seized after conducting due diligence studies and conducting an accurate evaluation of the different investment rationale.

Real estate investments constitute a large proportion of the investment portfolio of Alkhabeer Capital as the value of assets under management in the Real Estate Department is SAR 3.04 billion distributed among six real estate investment funds.

## 2023 HIGHLIGHTS

- Continued the partial exit of "Alkhabeer Real Estate Residential Development Fund II" through the sale of residential villas and "Alkhabeer Real Estate Opportunity Fund II" through the sale of land plots owned by the fund.
- The Real Estate Department continued its strategy and approach based on offering and professionally managing distinct income generating real estate investment products.
- SAR 59.2 million were distributed to Alkhabeer REIT Unitholders in 2023 as part of Management's fulfillment of its commitment to investors.

# PRIVATE EQUITY DEPARTMENT

## The Private Equity Department is working to strengthen Alkhabeer Capital's position by investing in private equity in diverse sectors. This was manifested in a number of achievements in 2023.

The value of assets under the Private Equity Department is estimated at more than SAR 3.04 billion, spread across 11 investment funds.

## 2023 HIGHLIGHTS

- Almujtama Al Raida Medical Company, an asset owned by Alkhabeer Private Equity Fund Saudi II, was directly listed on the Saudi Parallel Market (NOMU) in November 2023, at an indicative price of SAR 40 per share, with a total value of SAR 380 million. This achievement was reached within less than two years of the life of the Fund.
- Alkhabeer Saudi Private Equity Fund I participated in the capital increase of Innova Saudi Healthcare Company (Innova) for the second consecutive year. The proceeds of the capital increase were used to acquire additional pharmacies as part of the plan to increase the volume of Innova's business, thereby maximizing its value upon final exit through the main Saudi Stock Exchange (Tadawul).
- An application was filed with the Capital Market Authority (CMA) and Tadawul list the shares of Integrated Development Education and Training Company, as asset owned by Alkhabeer Private Equity Education Funds (I to VII) on the main Saudi Stock Exchange. The application is currently under review.
- Received General Authority for Competition (GAC) approval to consolidate the assets owned by Alkhabeer Private Equity Industrial Fund IV. The name and visual identity of the consolidated company was changed from Al-Jawad Plastic and Flexible Packaging Factory Company to Takamul Production. The consolidation process is in progress in accordance with the Fund Board approved exit plan.

# CAPITAL MARKETS DEPARTMENT

The Capital Markets Department (CMD) provides investment management services for investment funds and discretionary portfolio management through a dedicated platform, generating competitive returns compared to similar investment products offered in the market. CMD boasts a diverse client base and an outstanding track record in this field.

CMD also continues to collaborate with global and regional investment managers for the purpose of developing new innovative investment products.

## 2023 HIGHLIGHTS

- Assets Under Management (investment funds and DPMs) reached SAR 2.08 billion in 2023.
- During 2023, the Capital Markets Department launched several products:
  - Alkhabeer Saudi Riyal Murabaha Fund, an open-ended private fund for margin lending. The Fund seeks to distribute periodic cash dividends and preserve its capital by investing in margin trading transactions backed by the assets of Fund Manager's brokerage clients who receive the margin lending.
  - Alkhabeer Income Portfolio DPM, generating current income to investors by investing in the market for structured senior secured debt instruments consisting of asset-backed loans in the United States. These loans are characterized by tracking variable interest rates, and being backed by the assets of the borrowing companies, and have priority for repayment.
  - Alkhabeer Trade Finance Portfolio DPM. aims to generate current income to investors by investing in selected short-term global trade finance assets. The portfolio provides the investor with an investment opportunity to achieve targeted returns that are distributed quarterly over a period of twelve months and recover the invested capital at the end of the period.

# PRODUCT DEVELOPMENT DEPARTMENT

The Product Development Department plays a strategic role throughout the investment cycle. The Department develops and structures new investment opportunities that have been identified by fund managers into innovative investment solutions and products. It also supports fund managers in relation to new acquisitions, fund exits, terminations and liquidations.

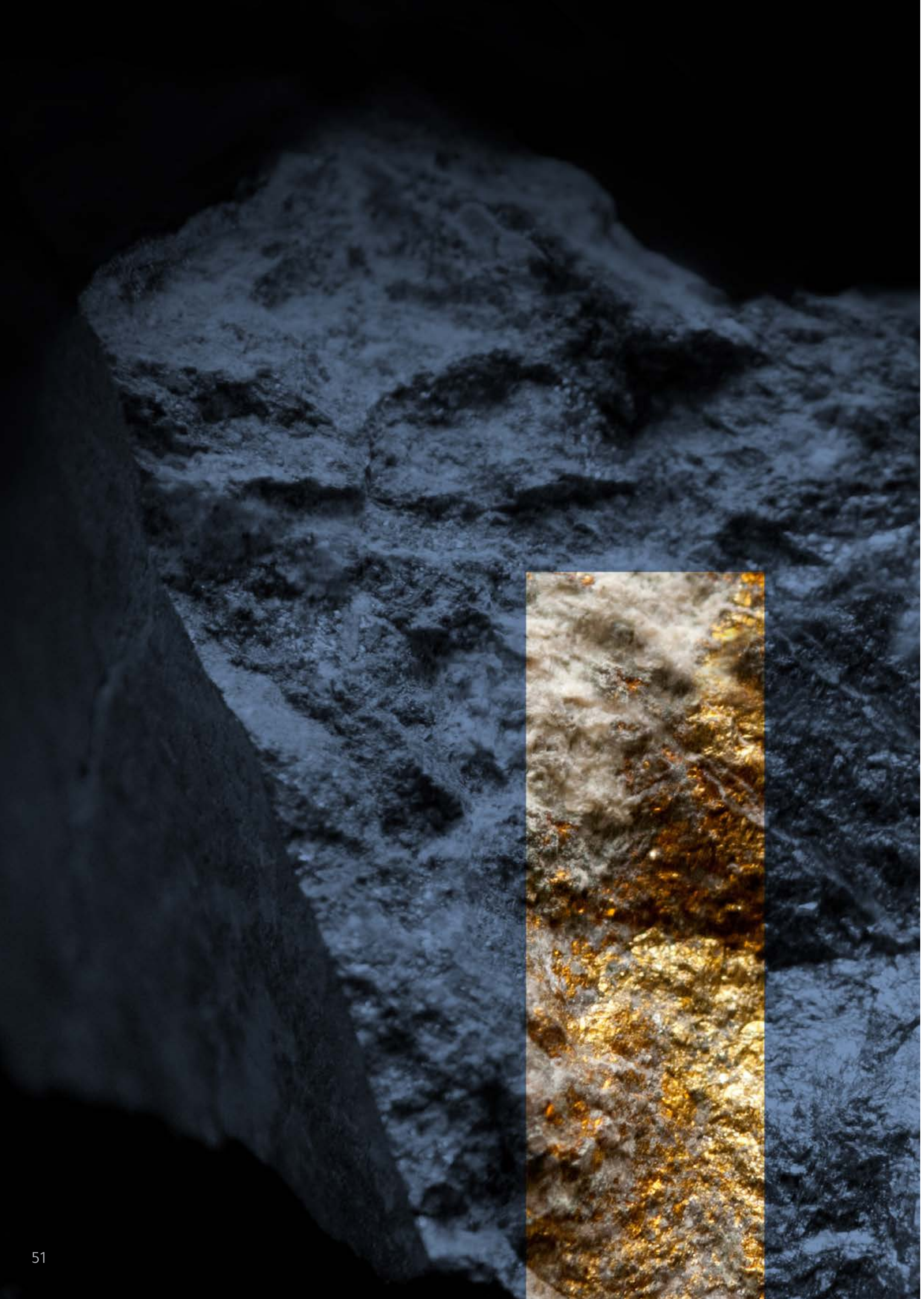
Additionally, the Department ensures that all products are developed and managed in a Shari'a-compliant manner through effective coordination with the Shari'a Advisor.

The Product Development Department also prepares fund reports as per the CMA requirements and compiles fund performance reports for investors. In addition, the department liaises with lead managers and receiving banks to support public offerings of AKC products.

The department's team of specialized professionals has extensive experience in investment fund development, financial analysis, economic and market research, and applicable investment laws.

## 2023 HIGHLIGHTS

- Supported the launch of Alkhabeer Saudi Riyal Murabaha Fund, a margin lending Fund offered to Alkhabeer's Brokerage clients on the Saudi Stock Exchange (Tadawul).
- Supported the Private Equity Department team and liaised with the financial advisor and other service providers to complete the successful listing of Almujtama Alraida Company shares on the Parallel Market (NOMU). This was Alkhabeer's second private equity portfolio company to be listed.
- Supported the Private Equity Department team and liaised with the financial advisor and other service providers to complete the filing of application with the CMA for the listing of Tanmiah Holding, a leading education company, on the Saudi Stock Exchange (Tadawul).
- Supported the Capital Markets Department team in the offering of a number of private investment portfolios, allowing investors to invest in Shari'a compliant trade finance and private finance products.





# BUSINESS DEVELOPMENT & PLACEMENT DIVISION

**The Business Development and Placement Division aims to strategically create an added value for Alkhabeer Capital in the long term by leveraging its relationships, diverse client base and vast knowledge of the markets.**

The Division also has a long experience in offering Alkhabeer capital products in the kingdom of Saudi Arabia and the GCC countries to a broad client base of high net worth retail investors, family businesses, institutional investors, and corporations.

The Division continues to strengthen the Company's outstanding investment relations with clients and to consolidate communication with them, introducing them to new products and deals offered by the Company, with continuous and regular communications to inform them of the latest developments in their investment portfolios, in addition to providing periodic reports that include the latest developments in the local, regional, and global investment markets, the prevailing investment climates, and the opportunities available in different markets.

## 2023 HIGHLIGHTS

- Our client base grew by 8% with a significant increase in the number of retail and institutional clients.
- Recurring services increased by 23% as at the end of 2023, which reflects the satisfaction of our existing clients.
- The Division contributed to the marketing of a number of funds with clients, including:
  - Alkhabeer Car Rental Private Equity Fund
  - Alkhabeer Saudi Riyal Murabaha Fund
- As part of the efforts of the Corporate Communications Department team aimed at enhancing and developing strategic communications with clients and bolstering the Company's commitment in this respect, the team worked in collaboration with the Business Development and Placement Division team on implementing an initiative - which is considered to be a groundbreaking achievement - to gain valuable insights based on client outlooks, needs and expectations by way of a comprehensive client survey.
- Funds raised totaled SAR 750,000,000.





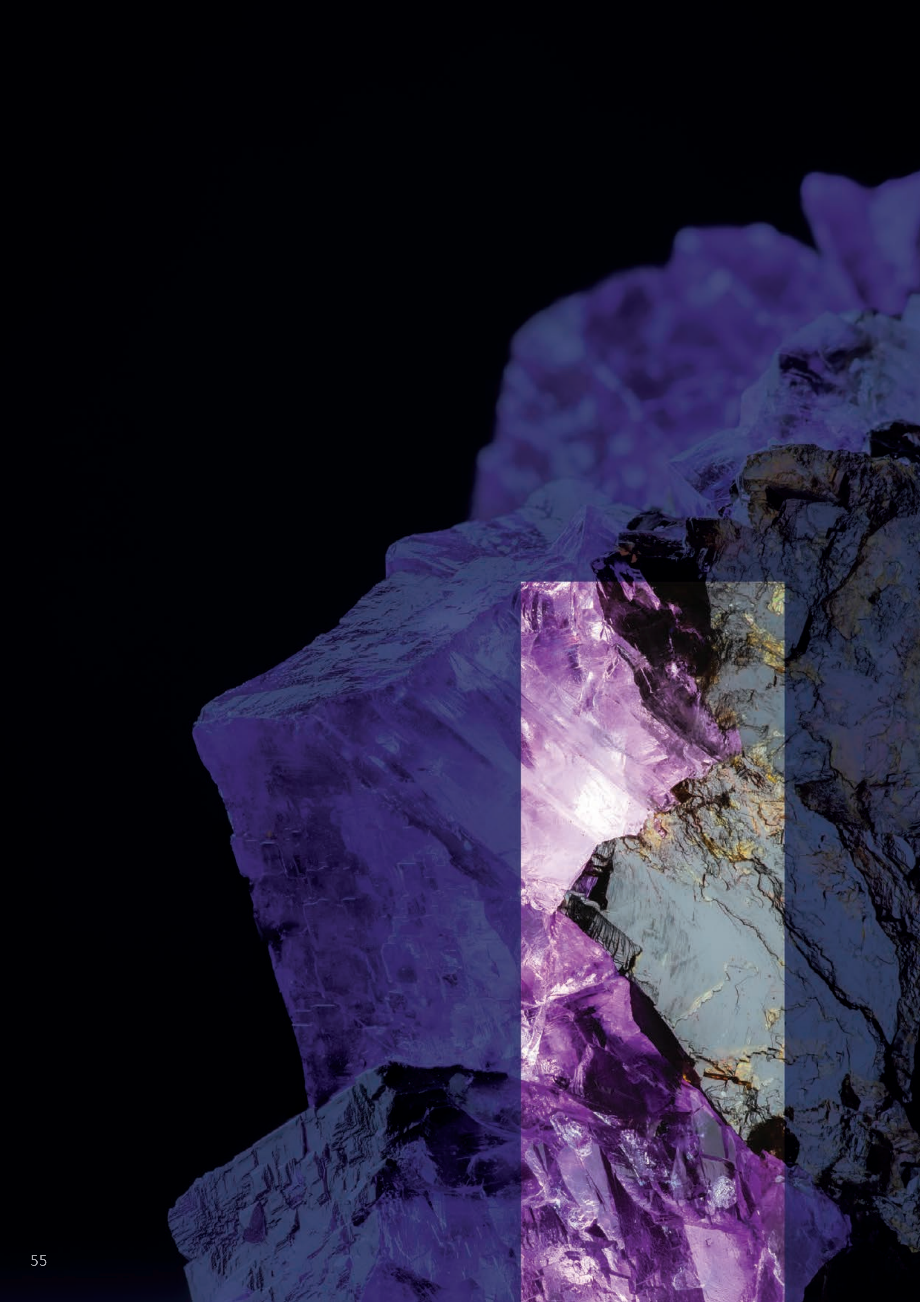
# BROKERAGE DEPARTMENT

The Brokerage Department at Alkhabeer Capital witnessed numerous significant achievements during the year 2023, reflecting its commitment to providing the best financial services and investment solutions to its clients.

The Brokerage Department emphasizes its dedication to offering comprehensive and diverse investment services and solutions to clients to cater to their requirements and assist them in achieving their investment objectives.

## 2023 HIGHLIGHTS

- The number of Brokerage clients increased by 451%, YoY.
- Trading volume increased by 225.90%, YoY, to reach SAR 3.38 billion as at the end of 2023.
- The Department launched the margin trading service for clients through Alkhabeer Tadawul website. This service includes daily and long-term margin trading to fulfill our clients' requirements and meet market demand.
- Trading in global markets and instant transfer services were added via "Alkhabeer Global" platform and application for trading in global markets with the single sign-on (SSO) feature that enables our clients to invest efficiently and easily across all global markets.
- We also launched "Pro11" trading application was also with the "Tabee" service to help traders and investors optimize their investment decisions.







# OPERATIONS DEPARTMENT

## Alkhabeer Capital has acquired extensive experience over the past years in providing operation services, including administration services, specialized custody services for managers of investment funds, financial and Waqf institutions and other investment entities, as well as brokerage services.

Alkhabeer Capital also provides comprehensive and integrated services comparable to what is provided by the largest administration services companies. We also provide customized solutions tailored to each client's needs, combining efficient operations and technical capabilities, following a methodology based on providing the best specialized experts and state of the art technology. Thus, we are always able to perform the required work to the highest levels of quality.

Our specialized expertise includes investing in the local and global markets in private equity, real estate, income-generating assets, equities, and money markets.

## 2023 HIGHLIGHTS

- Worked side by side with the various Alkhabeer Capital Departments to fulfil all the requirements for listing AME for Medical Services Company, until the listing of the Company on the Parallel Market (NOMU) was completed on 22 January 2023.
- Registered all funds managed by Alkhabeer Capital with the Zakat, Tax and Customs Authority (ZATCA) to submit the annual information declaration in accordance with the circular issued by ZATCA requiring funds to be registered before 31 December 2023.
- The Department underwent tax audit by ZATCA to examine the value added tax (VAT) returns filed by Alkhabeer Capital funds for the years 2021 and 2022. The final report on the audit result showed that all monthly returns for the two years under review did not contain any discrepancies.
- A special unit was established during the year to manage brokerage activities.



# CORPORATE FINANCE DEPARTMENT

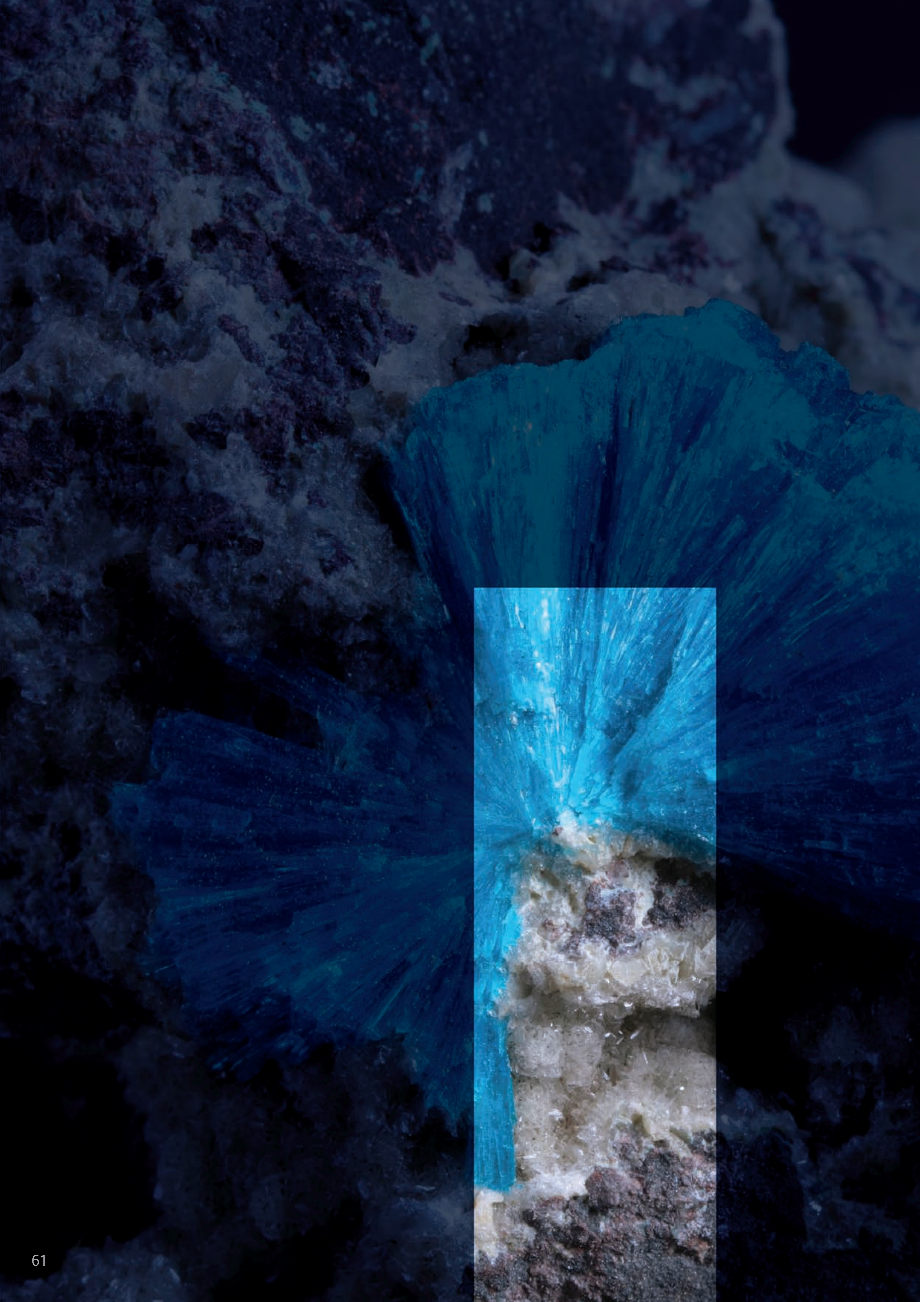
The Corporate Finance Department provides comprehensive financing services that cater the needs of its clients and support the growth of the Company's investments, by relying on its knowledge and expertise in providing innovative and appropriate structures for raising capital and providing financial consultations.

The Department also provides Shari'a compliant finance structures by capitalizing on its relations with a multitude of financiers and investors, such as banks, investment funds, sovereign entities, private equity companies and family offices. The Department is also working on reviewing cash flow forecasts and requirements, in addition to supporting clients in structuring and securing credit facilities by negotiating with lenders, sukuk holders, and following up with the relevant committees and authorities.

## 2023 HIGHLIGHTS

- The Corporate Finance Department of Alkhabeer Capital restructured and arranged Shari'a compliant financing to Alkhabeer Capital and some of its Funds, with a total value of SAR 821 million.
- Moreover, Corporate Finance Department arranged a hedging agreement in the amount of SR 333 million to hedge against SAIBOR fluctuations.

# REVIEW OF SUPPORT FUNCTIONS



# CORPORATE COMMUNICATIONS DEPARTMENT

**The Corporate Communications Department at Alkhabeer Capital is responsible for the development of corporate communications and marketing plans for new investment products and funds, and the launching of marketing campaigns for IPOs and subsequent offerings, as well as other campaigns to achieve the Company's objectives.**

The Corporate Communications Department is also responsible for the development and implementation of the internal and external communication and digital marketing strategies, building relations with various media entities, organizing and managing business related annual or periodic events, as well as other important events at Company personnel level.

On digital, the department plans the Company's social media pages and official website and runs them as effective platforms for the company's marketing campaigns and to post the latest company advertisements and updates, as well as to publish written or advertising material.

In terms of internal communications, the Department aims to organize effective internal activities to enable employees to stay informed of the Company's progress and external developments. This is done through frequent knowledge sharing, updates, reviews, and common objectives.

## 2023 HIGHLIGHTS

- In a strategic move to enhance the company's brand image and create a more effective buzz, the Corporate Communications team undertook a comprehensive initiative to update the organization's core narrative. This achievement represents a significant milestone in aligning the company's messaging with its values, vision and evolving market dynamics. The primary goal of the initiative is to renew the company's ethos, ensure that it accurately reflects the organization's identity, mission and commitment to innovation, and foster a stronger sense of connection and understanding with customers.
- Worked in collaboration with the Brokerage Department on providing necessary marketing services, such as SMS alerts to clients, the necessary support for the website, and create the designs for client account opening and account opening agreement.
- Issued and activated the digital business card feature for company employees, in addition to activating the signature barcode feature for emails as part of the company wide digitization initiatives.
- The Corporate Communications team worked in collaboration with the Business Development and Placement Division on conducting a comprehensive client survey to assess client needs and outlooks, and endeavor to cater to them, in order to consolidate the Company's relations with clients and bolster its commitment to client focus.

# INFORMATION TECHNOLOGY DEPARTMENT

**Alkhabeer's Information Technology Department plays a vital and effective role, taking on the responsibility of building a secure and reliable information technology infrastructure to serve as a firewall protecting the Company's information security, in addition to providing technical services and support and keep abreast of state of the art developments.**

## 2023 HIGHLIGHTS

Major achievements this year include: 100% network availability, firewall, disaster recovery, electronic mail, and full backup. No virus attacks, security vulnerabilities, hacking attempts or high risk audit observations were recorded.

During 2023, the Company continued fostering creative and innovative use of technology, implemented new solutions and upgraded IT infrastructure to support information systems and services. Information security remained a priority throughout the year as well.

Considering the evolving regulatory guidelines (CMA, Tadawul and NCA), to ensure that we remain in line with the increasing commitment of regulators to cybersecurity requirements and to enabling financial services companies to improve their cybersecurity capabilities and maintain industry standards, a dedicated Cybersecurity Section was established and a Cybersecurity Committee was formed, taking the non-conflict of interest principle into the consideration. During this period, a separate Policy Manual for Cybersecurity Section was drafted and the Section's strategy, key performance indicators (KPIs) and functional responsibilities were developed.

As part of our ongoing improvement of digitization and automation of business processes, we successfully replaced our legacy ERP application, Oracle EBS, with Oracle Fusion, which is a very important and strategic ERP application for the Company. Oracle Fusion is a newer cloud-based enterprise resource planning solution, featuring a state of the art intuitive user interface with advanced functionality for financial management, planning budget, supply chain management, human resources, analysis dashboard report and self-service. Meanwhile, Oracle EBS which was on the premises, was a twenty-year old proprietary platform which is rigid with lots of hardware and middleware dependencies and requires continuous upgrades, optimization, and maintenance.

Replaced the existing HP storage unit, which has reached the end of its useful life and support period, with Dell Vx-rail after conducting an extensive and exhaustive compatibility evaluation between HP Nimble, Nutanix and Dell Vx-rail. SAN storage is very critical to our network infrastructure. Given that the storage network is centralized, it can be accessed via all our servers and cloud disaster recovery (DR), which is essentially used for added storage reliability, scalability, disaster recovery and data security.

Defined and developed the mechanism of Vendor Risk Assessment from the IT perspective. This includes framework, mechanism, and policies. It also includes drafting a standard contract related to risk, as well as service level agreements and developing key performance indicators (KPIs).

The system was successfully commissioned and integrated with Oracle Fusion to meet the requirements of the second phase of the regulatory authority (ZATCA).



# HUMAN CAPITAL DEPARTMENT

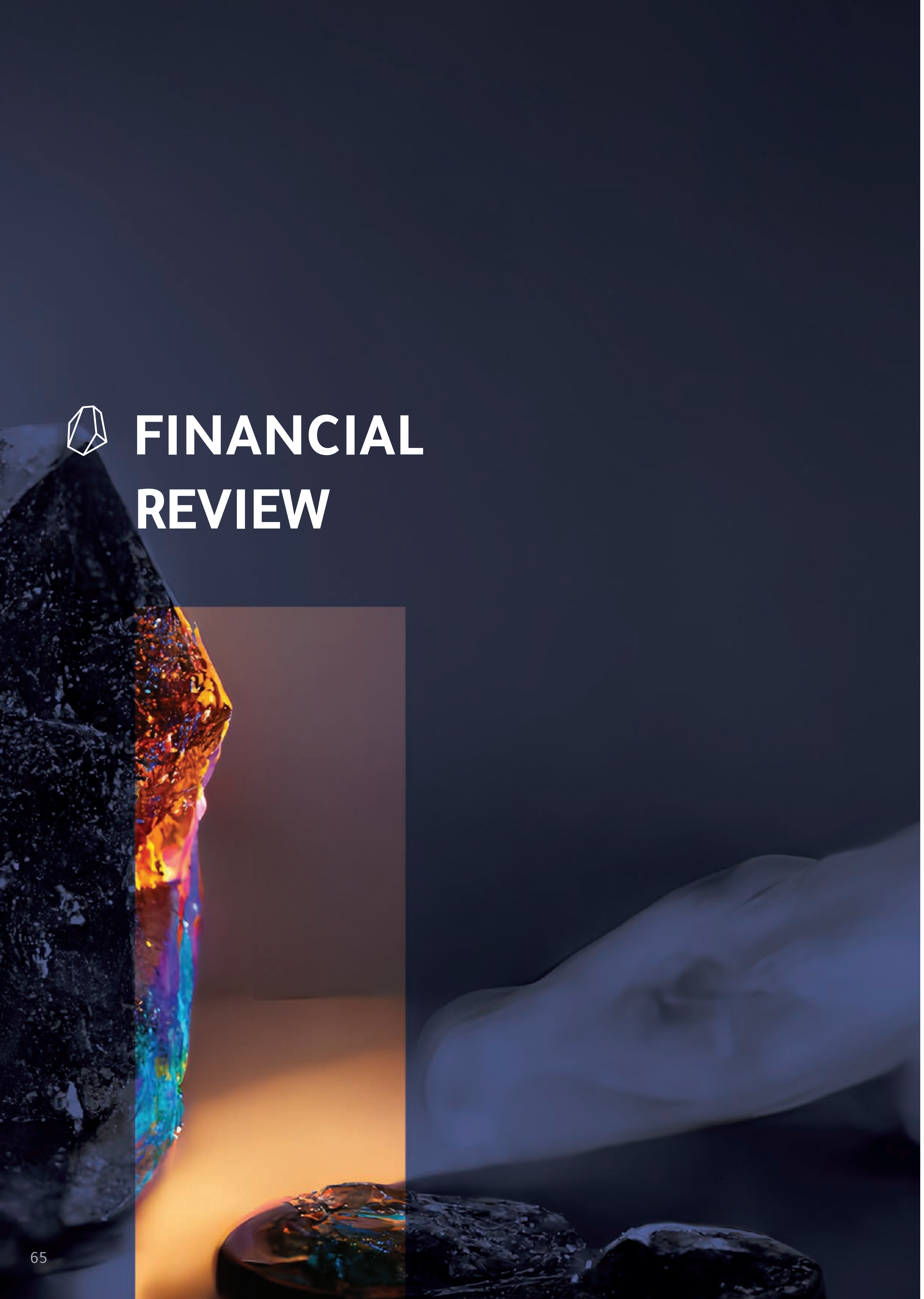
**Human cadres are the most important assets of Alkhabeer Capital, as we seek to attract the best expertise and competencies, as well as create a comfortable and stimulating environment for work and achievement. We also endeavor to develop specialized human capital capabilities in our various lines of business to bolster the Company's competitive advantage.**

The Human Capital Department has taken deliberate steps to ensure optimal levels of employment are achieved in all Company departments, at the business as well as the support levels.

The total number of employees in 2023 was 105, compared to 91 in 2022. Percentage Saudization reached 83%, while the rate of female staff members remained flat, at a rate of 34% of total employees.

## 2023 HIGHLIGHTS

- The Human Capital Department started implementing its education allowance policy, which was launched in 2021 to coincide with the commencement of Academic Year 2022-2023. This policy applies to all qualified employees of all grades.
- The Human Capital Department continued its intensified investments in training, development, guidance and cultural change management through its human capital assessment program which helps develop performance evaluation metrics under four basic categories, namely: achieving goals, implementing Company values, requisite leadership concepts, and future capabilities.



# FINANCIAL REVIEW

# FINANCIAL REVIEW

This review provides a summary and analysis of Alkhabeer Capital's financial performance for the year ended 31 December 2023. The Notes of the Financial Statements provide additional relevant information.

**Total Revenues** 289.1


Total revenue in 2023 increased by 10% to SAR 289.1 million compared with SAR 262.1 million for the previous year mainly driven by an increase in return on investments to reach SAR 203.2 million, reflecting an increase of 20% from SAR 169.3 million in 2022, due to higher gain from Investments at fair value during 2023.

Total revenue in 2023 increased by 10% to SAR 289.1 million compared with SAR 262.1 million for the previous year mainly driven by an increase in return on investments to reach SAR 203.2 million, reflecting an increase of 20% from SAR 169.3 million in 2022, due to higher gain from Investments at fair value during 2023.

**Operating Expenses** 136


Total operating expenses increased by 7% to SAR 136 million compared with SAR 128 million for the previous year. Operating expenses-to-income ratio also decreased to 47% compared with 49% in 2022.

## Net Income After Zakat and Income Tax

**102.9**

Net income after zakat and income tax has increased by 13% to record a net income after zakat and income tax of SAR 102.9 million comparing to a net income after zakat and income tax of SAR 91.4 million in 2022.


## Assets Under Management

**8.160**

Assets held on behalf of clients in a fiduciary capacity are not included in the balance sheet of Alkhabeer Capital. Moreover, total assets held fiduciary capacity have increased to SAR 6.547 billion from SAR 6.497 billion at the end of 2022. As of 31 December 2023, the Company assets under management of SAR 8.175 billion vs. SAR 8.084 billion in 2022 decreased by 1%, due to a decline in valuations of few funds during 2023.


## Earnings per Share

**1.15**

Earnings per share in 2023 increased to SAR 1.15 compared with SAR 1.02 in the previous year.


## Investments

**1.628**

The Investments portfolio increased by 3% to SAR 1.628 billion in 2023 from SAR 1.587 billion in the previous year.


## Dividends Distributed

**44.7**

Dividends distributed during the year 2023 amounted to SAR 44.7 million on December 31, 2023, an increase of 22% compared to the year 2022.




## Financing for FY 2023

The following table shows information related to Shari'a-compliant financing extended to the Company as of 31 December 2023: (in SAR, unless otherwise stated)

| (SAR) | |
|---|---|
| Term of Financing | 7.5 years |
| Principal Amount of Financing | 325,900,000 |
| Repaid Amount | 17,071,154 |
| Outstanding Amount | 308,828,846 |

For details on Alkhabeer Capital's outstanding debt as at the end of FY 2023, please refer to the notes related in the audited financial statements.

## Shareholders' Equity

At the end of 2023, Shareholders' Equity increased by 6% to SAR 1.096 billion from SAR 1.038 billion at the end of 2022. The increase was a result of the higher returned earning in Shareholders Equity due to high Net Profit for 2023.

## Capital Adequacy

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended 31 December 2012, new Prudential Rules (the "Rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012, dated 17/02/1434 corresponding to 30/12/2012. The rules state that an authorized person shall continually possess a capital base, which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of the Prudential Rules.

The CMA issued amendments to the Prudential Rules that came into effect on 1 April 2023 (corresponding to 10 Ramadhan 1444H). The requirements for Capital Adequacy as per the latest amendment differ from the prior requirements. Accordingly, the Company has calculated its minimum capital required and capital adequacy ratios for the year ended 2022 and the year ended 2023 as follows:

The details of the minimum capital requirement and capital base are as follows:

## Capital Adequacy

| (SAR '000) | 2023 | 2022 |
|---|---|---|
| Alkhabeer Capital Base | 1,096,312 | 1,038,267 |
| Total of the Minimum Capital Requirement | 9,204,637 | 858,540 |

## Capital Adequacy Ratio

| (SAR '000) | 2023 | 2022 |
|---|---|---|
| Total Capital Ratio / Tier 1 Ratio | %11.91 | 1.21 |
| Surplus Capital | 359,941 | 179,727 |

# RISK MANAGEMENT REVIEW

# RISK MANAGEMENT REVIEW

## RISK AND GOVERNANCE DIVISION

The Risk and Governance Division is responsible for the day to-day oversight of the various risks to which Alkhabeer Capital is exposed, including credit, market, operational, regulatory, compliance and money laundering risks.

The division employs a wide range of risk assessment, analysis and reporting tools and state-of-the-art risk management models. Independent systems including Mubasher system and World-Check system for reporting anti-money laundering and regulatory compliance. In addition, an internal capital adequacy assessment model has been developed and implemented in line with CMA requirements. The Company's capital adequacy is monitored monthly covering historic and forecasted figures in order to ensure that the Company maintains adequate capital coverage.

## COMPLIANCE AND MLR DEPARTMENT

While the ultimate responsibility of compliance lies with Alkhabeer Capital's Board of Directors, the Compliance and MLR Department is responsible for the day-to-day activities of compliance functions and is also responsible for setting the strategy and the action plan of the Compliance and MLR Department.

It is important to stress that compliance with regulatory and internal requirements is mandatory for all employees. The Executive Management ensures that all employees are aware of this duty and infuses a culture of commitment among all employees. It also ensures that compliance with regulatory requirements and adherence to the highest standards of professional conduct is observed at all times.

## RISK DEPARTMENT

The Risk Department is responsible for the monitoring and approval of counterparty limits; the day-to-day identification, measurement and monitoring of the Company's exposure to market (including liquidity) risk; the update of all policies and procedures for all departments within the Company; and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any regulatory and operational risks. In addition, the Department is responsible for following up on all investment decisions by creating different controls to manage the quality of execution, the reporting of any exceptions, and streamlining the workflow of some processes to ensure the timely and proper execution of transactions.

On the Managed funds level, the Risk Department also monitors closely and sets the proper controls and measures to ensure that the Fund managers are managing the funds in line with the approved investment strategies and approved limits.

## RISK AND GOVERNANCE FRAMEWORK

Alkhabeer's Board of Directors manages risks through Board Committees and Alkhabeer's Risk and Governance Division and the Compliance and MLR Department.

## POTENTIAL RISKS AND RISK MANAGEMENT POLICY

Risk of varying depth and complexity is inherent in Alkhabeer Capital's activities, and is managed through a process of ongoing identification, measurement, and monitoring, and setting proper limits and controls.

## CREDIT RISK

Credit risk refers to the risk where the counterparty may default on its contractual obligation resulting in a potential loss to the Company. Alkhabeer is not authorized to lend money in the form of loans or advances to its clients and, specifically margin lending is not currently practiced by Alkhabeer.

Therefore, the only credit risk Alkhabeer may be facing at present is in relation to counterparties, including banks and companies, as well as its investments in Alkhabeer's managed private funds. Alkhabeer adopts a credit strategy for monitoring and controlling the counterparty risk by setting limits for each counterparty in line with CMA's Prudential Rules and Alkhabeer's internal approved policies.

As a result of economic changes in the region, geopolitical risks may negatively affect the performance of companies and their ability to fulfill their obligations. These effects, at the core of the domestic economy, may be undetectable, but may have ripple effects, including the deterioration of corporate credit ratings, particularly for small and medium enterprises.

## MARKET RISK

Market risk is the risk that results from the changes in market prices, interest rates / profit rates, equity prices and other Capital Markets securities. Alkhabeer invests in multiple asset classes that involve market risk due to their susceptibility to fluctuation in prices. Alkhabeer also invests in money markets, capital markets, real estate and private equity. Since Alkhabeer's business model is to seed its managed funds, the market risk exposure to such investments is monitored and managed by the Company through a disciplined investment policy set by the Board in which limits, parameters, processes and proper governance are detailed.

At the global level, on the other hand, heightened geopolitical risks have affected the markets and increased the volatility levels and this market volatilities are expected to continue. As for interest rates / profit rates, their continued rise will also have an adverse effect, especially on the cost of funds at Alkhabeer's corporate level, as well as at the level of managed funds and their underlying assets. AKC monitors closely the profits rates and takes appropriate measure to hedge the rates and mitigate such fluctuations.

## LIQUIDITY RISK

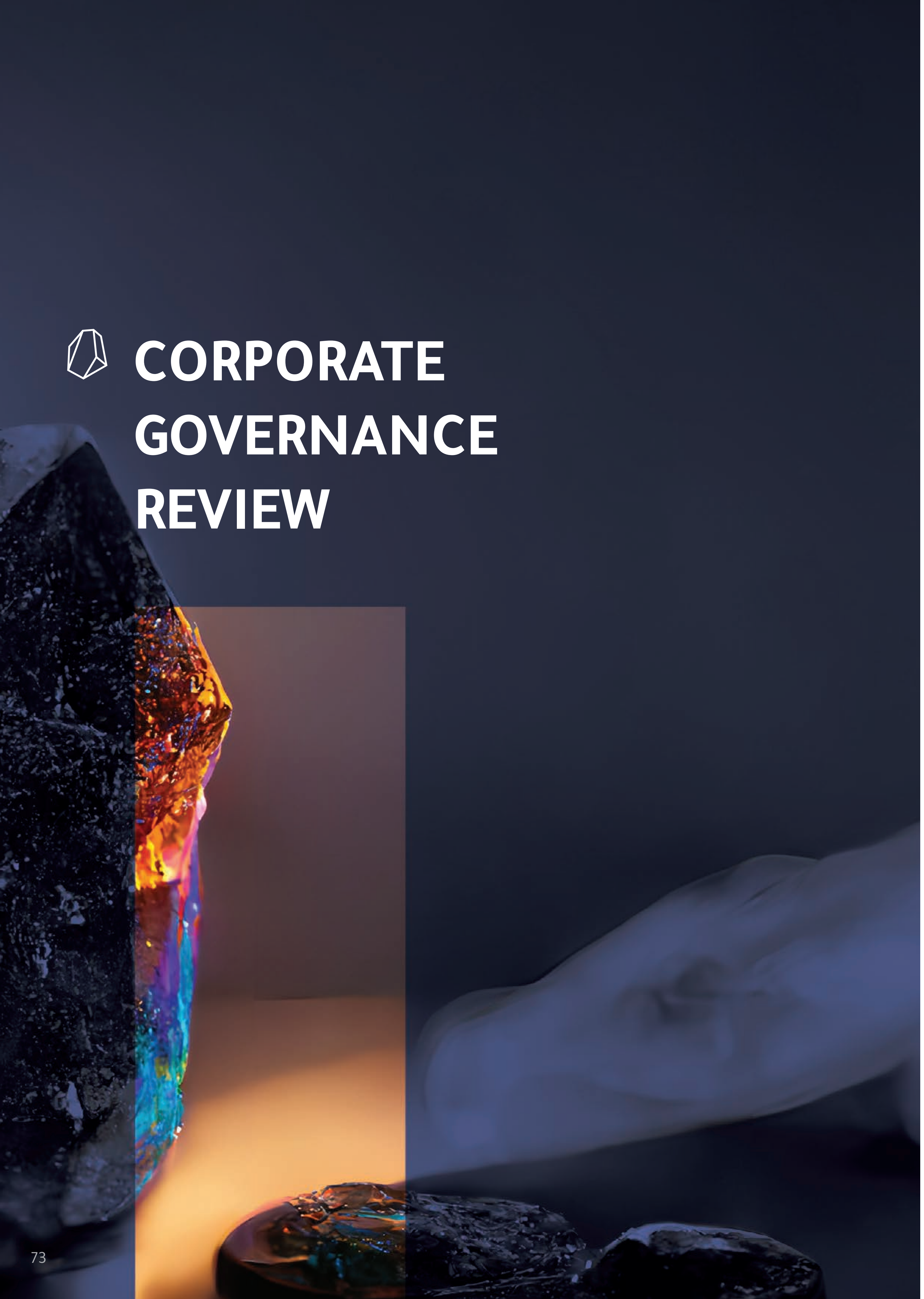
Liquidity risk emerges as a result of the inability to manage unplanned shortage(s), changes to financing sources, or the failure to address market changes that affect the ability to liquidate assets quickly and with minimal loss. The efficient management of liquidity risk begins with the development of sound written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting to the management's Assets and Liabilities Committee, which applies various tools and engineering to ensure that the Company has sufficient liquidity levels to meet its future obligations.

## OPERATIONAL RISKS

Operational risk relates to the potential for losses stemming from inadequate or failed internal control processes, human resources, systems, or external events. Operational risk includes exposure to legal risk, such as incurring fines, penalties or punitive damages resulting from regulatory actions against the Company or private settlements reached by the Company. Alkhabeer uses a set of tools to identify, measure and rectify operational incidents. In addition, Alkhabeer has a professional indemnity insurance policy that covers any loss resulting from unintentional lapses or system breakdowns.

Regarding regulatory risks, the company applies, during the daily conduct of its business, all regulatory and/or executive regulations issued by the supervisory authorities, and is keen to limit the occurrence of any violations during the business cycle and/or those discovered during the periodic inspection tours carried out by the Capital Market Authority, as the supervisory authority over the company's business. Accordingly, the necessary corrective measures are taken in the event of any violations. It is worth noting that the outputs of the results of the last inspection cycle have not been received, and the company seeks to cooperate with the Authority in this matter.

# CORPORATE GOVERNANCE REVIEW





# CORPORATE GOVERNANCE REVIEW

## CORPORATE GOVERNANCE REVIEW

Alkhabeer Capital's governance policy includes the principles that regulate the following aspects:

- Management and supervision of operations.
- Promotion of ethical and responsible decision-making.
- Timely submission of disclosures.
- Recognition of the legitimate rights of all stakeholders.
- Definition and management of risks.
- Encouragement and rewarding of improved performance in an equitable and responsible manner.

## GOVERNANCE FRAMEWORK

Alkhabeer Capital's Corporate Governance framework consists of a code of business conduct, conflict of interest policy, strategy statement, compliance, succession planning, policies and operating procedures, internal control and risk management processes, internal and external auditing procedures, effective communications, disclosure and transparency.

## CODE OF BUSINESS CONDUCT

Alkhabeer Capital has developed its code of business conduct to govern the conduct of its directors, executive management, and employees and to ensure that all procedures, actions, and behaviors are totally ethical, legal, and transparent.

## CONFLICT OF INTEREST

Alkhabeer Capital did not, nor has it entered into, any contract in which any of its board members, the Chief Executive Officer, the Chief Financial Officer, or any of its partners has or had any material interest that has not been approved by the General Assembly. Refer to Note (7) of the Consolidated Financial Statements regarding related party transactions.

## DISCLOSURE AND TRANSPARENCY

Alkhabeer Capital adopts comprehensive policies and procedures to ensure full compliance with the regulations of the Capital Market Authority of Saudi Arabia, and the laws and regulations issued by regulatory authorities in all jurisdictions where the Company conducts its activities. The Compliance Committee is responsible for ensuring compliance with relevant laws, and legal and administrative requirements.

## STRATEGY STATEMENT

To support Alkhabeer Capital's continued growth and development, and in light of regional and global market changes, Alkhabeer's strategy clearly specifies the objectives of growth for revenues and profits, development of new business and products, geographic distribution of investments, and required professional competencies to achieve these objectives.

## SUCCESSION PLANNING

The People Management Committee reviews and endorses the Company's succession plan on an annual basis. The objective of this plan is to identify, develop and promote staffs to ensure that there are no disruptions to the functioning of Alkhabeer Capital in the event of personnel leaving the Company.

## CONTROL FUNCTIONS

### INTERNAL AUDIT UNIT

The Internal Audit Unit is an independent unit reporting to the Board's Audit Committee and consists of three members, two of whom are independent members. To raise the independence and effectiveness of the function, the Unit has an agreement with Protiviti Member Firm Saudi Arabia to execute the audits and report the results to the Audit Committee. The approved audit plan is implemented throughout the year, and all its recommendations are applied. The Audit Committee, Board of Directors and Executive Management are kept informed of the progress of implementation of the audit plan. The Internal Audit Unit also conducts special reviews or inquiries, as and when required.

## RESULTS OF THE INTERNAL AUDIT OF THE COMPANY'S INTERNAL AUDITSYSTEM

The Internal Audit Unit audited Alkhabeer Capital's operations during 2023, in accordance with the annual Audit Plan that was approved by the Audit Committee, to verify the effectiveness of the Company's internal control systems, to safeguard the Company's assets, and to evaluate the suitability of the Company's performance in mitigating risks. As a result of these audits and reviews, there were no fundamental weaknesses uncovered in the internal control systems of the Company.

The Internal Audit Unit has completed all planned audits for 2023. Additionally, follow up and closing of the findings identified during the reviews was one of the important tasks that the Internal Audit Unit focused on during the year.

## AUDIT COMMITTEE'S OPINION ON THE ADEQUACY OF THE INTERNAL AUDIT SYSTEM

The Audit Committee has reviewed the books and records, internal audit reports, along with various meetings' minutes and data as relevant to our duties. The Audit Committee have found the Company's internal controls system and processes to be sound and effective, and did not uncover any fundamental weaknesses. It also found that the internal audit function was executed without any lapses. It also did not note any event of fraud during the year ended 31 December 2023.

## COMPLIANCE AND MLR

The Compliance and MLR Department is responsible for the day-to-day activities of the Compliance functions and is also responsible for setting the strategy and planning the Compliance work. It is important to stress that all employees have a duty in respect of compliance. The Management must ensure that all employees are aware of this duty and that a commitment to compliance exists throughout Alkhabeer. At all levels, compliance with all regulatory requirements and observance of the highest standards of business conduct are followed.

## RISK DEPARTMENT

The Risk Department is responsible for the day-to-day identification, measurement and monitoring of the Company's exposure to credit, operational and market (including liquidity) risk, the update of all policies and procedures for all departments within the Company, and the development of additional controls to ensure the proper execution of transactions in line with approved policies and procedures, in order to avoid any operational regulatory risks. In addition, the Department is responsible for following up on all the Company's investment decisions by creating different controls to manage the quality of execution, reporting any exceptions and streamlining the workflow of many processes to ensure their timely and proper execution.

## LEGAL

The Legal Department plays a pivotal role in ensuring the integrity of the Company's operations and products, and protecting its rights and those of its clients, internally and externally, while also ensuring the implementation of best legal practices. The Department's functions include, without limitation, the provision of accurate legal advice on Alkhabeer's investment and management activities; follow-up on the progress of disputes, settlements and legal proceedings in courts at all levels and with any other agencies having legal jurisdiction; preparation of legal studies of interest to the Company; drafting agreements between the Company and other entities; and organizing periodic seminars for Company employees to familiarize them with laws and new legislations and assist them in their implementation.

## FINANCE AND ACCOUNTING

The Finance and Accounting Department is responsible for financial planning and periodic reporting, financial control and protection of Company assets, payments, recording and bookkeeping, follow up of Zakat and income tax, and coordination with various external entities including the external auditors. The Department also monitors the implementation of the Company's strategic plan on a monthly basis to ensure that the actual financial performance is in line with the business plan of each area of operation. Any deviations from the plan are detected at an early stage, and appropriate remedial action is proposed and followed up.

# CORPORATE SOCIAL RESPONSIBILITY



# CORPORATE SOCIAL RESPONSIBILITY

**Corporate social responsibility (CSR) takes precedence at Alkhabeer Capital. Our commitment to diversity and inclusivity positively affects society through three key pillars: people, knowledge and environment, while we endeavor to contribute to the consolidation of a rich environment, positively add to the communities where we operate and align Alkhabeer's practices with our responsibility towards society.**

Realizing the strong effect of education and innovation on change, our commitment to social responsibility remains resilient, with a lasting impact on society as a whole.

## 2023 HIGHLIGHTS

### Environmental Activities

In 2023, the company fully executed its "Planting 1,000 Trees in 2022" initiative, which was launched in 2020 to counter-balance the negative impact of paper consumption, preserve natural resources and reinforce sustainable development.

The environment and natural resources are a key pillar of Alkhabeer's CSR strategy. We are committed to intensify our environmental initiatives by embracing sustainable practices. This is manifested in our paper consumption minimization and energy and water conservation, Our initiatives extend to the preservation of a green environment in line with the Saudi Green Initiative, as well assiduously endeavor to search for ways to contribute to the environmental protection and raising awareness of the importance of sustainability.

### Alkhabeer Internship Program

Alkhabeer Capital has introduced a training program for students pursuing studies in fields related to the Company's lines of business. It provides an excellent environment for their training, guidance, development of their practical knowledge as well as professional development under the supervision of a specialized mentor. Upon successful conclusion of the program, each trainee is awarded a certificate of completion that states the duration of the training and the overall performance and experience standing of the respective trainee.

We at Alkhabeer Capital provide this training because we believe in the importance of developing human resource capabilities through initiatives aimed at achieving society's sustainable development goals in the social, economic, educational and other domains. Thus we can empower the youth in the local society to receive professional support or business accelerator assistance to support businesses focusing on professional development.

# BOARD OF DIRECTORS' REVIEW

# BOARD OF DIRECTORS' REVIEW

Alkhabeer Capital Board of Directors is comprised of prominent leaders in the business sector, who contribute to the success of the Company's business and projects by leveraging their knowledge, experiences and network of relationships in the service of the business. The composition of the Board of Director reflects a balance between executive, non-executive and independent members. The Board includes three independent directors.

The Board of Directors held five meetings in 2023. It performs a vitally pivotal role in determining the Company's strategic direction and ensuring appropriate implementation, within a defined framework of controls and incentives including the Board's permanent committees: The Board's Investment Committee, the Audit Committee, the Nomination and Remuneration Committee, the Risk Committee and the Compliance Committee.

## Directors' Responsibilities in Relation to Financial Statements

The Board of Directors assures shareholders and other stakeholders of the following, to the best of its knowledge in all material respects:

- Alkhabeer Capital has properly maintained sound accounting records;
- The internal control system was properly prepared and effectively implemented; and
- There is no doubt that Alkhabeer Capital has the capacity to continue its business activity.

## Board Members' Profiles

### Ammar Ahmed Shata

Chairman of the Board
Member of the Board's Investment Committee

Ammar Ahmed Shata is the founder of Alkhabeer Capital. Ammar founded Alkhabeer Capital after holding a number of leadership positions in blue chip market sector companies including National Commercial Bank (rebranded Saudi National Bank) and Islamic Development Bank.

Ammar has more than 30 years of experience in corporate banking, Islamic finance, asset management and private equity. He began his investment banking career in 1990 taking on the key role of innovatively converting conventional finance products into Shari'ah compliant products.

Ammar has an outstanding track record of successful experience in global capital markets, and is renowned in economic and banking circles for his creative thinking, futuristic vision and ability to foresee domestic and global economic transformation and its present and future effects on the markets.

Member of the Advisory Council to the Islamic Economics Institute at King Abdulaziz University in Jeddah. He holds a Bachelor Degree in Electrical Engineering and a Master's Degree in Financial and Economic Planning from the University of Southern California, USA. He is also a Chartered Financial Analyst (CFA) Charter Holder.

### Musaad Mohammad Aldrees

Vice Chairman
Member of the Board's Investment Committee

Musaad Mohammad Saad Aldrees is a longstanding and renowned businessman. He has played a leading role in developing and expanding a group of family companies in various business sectors. He was an active member of the board of executive directors at the Saudi American Glass Factory, which was acquired by Dubai Investment Company.

He was also a member of the boards of executive directors of Mohammad Saad Aldrees and Sons Limited Company (which later became a public company and was listed on the Saudi Stock Exchange), Mohammad Saad Aldrees Sons Limited Company, Mohammad Saad Al Drees Sons Holding Company and Aldrees Industrial & Trading Company (ALITCO), a closed joint stock company.

In addition to completing various training courses in KSA, the USA and the UK, Musaad is a graduate of the Institute of Public Administration in Riyadh, Saudi Arabia.

### Saeid Mohamed Binzagr

Member
Chairman of the Board's Investment Committee

Saeid Mohamed Binzagr has over 23 years of experience in commerce and industry. He is the Chairman of the Board of Directors of Avon Beauty Arabia LLC, the Chairman of the Board of Directors of Binzagr Barwil Marine Transport Company, the President and Chief Operating Officer of Abdullah & Saeid M.O. Binzagr Company Limited, the CoPresident of Binzagr Factory for Insulation Materials Company.

He is also a Board member of Said M.O. Binzagr & Partners Company Limited, Binzagr Co-Ro Limited, Binzagr Unilever Limited and the International Marketing & Communications Company Limited and a Board member and the founder of Diyar Al-Khayyal Company.

Saeid holds a Bachelor of Science from Linfield College, Oregon, USA.

## Board Members' Profiles

### Mohanad Haydar Binladin

Member
Member of the Audit Committee

Mohanad Haydar Binladin is a top executive at Mohammed Binladin Company, currently holding the position of Assistant General Manager of Administration and Finance, as well as Acting General Manager of Investments Division. Previously, he served as Chief Accountant for Binladin Industrial Co. Mohanad is the owner of Cultural Thought Est. and the founder and partner in Nutrition Zone L.L.C and Zileej DMCC, an Emirati company specialized in computer software development. He is also a Board director of Zileej DMCC and Sky Steel Systems in the UAE, and Makani Bayn Alkhotoot, a Saudi company specialized in parking management and services.

Mohanad holds a Master's Degree in Innovation and Technology Management from the Grenoble Graduate School of Business, France, and a Bachelor's Degree in Finance from King Fahad University of Petroleum & Minerals, KSA.

### Samer Sami El Solh

Member
Member of the Board's Investment Committee

Samer Sami Al-Solh is the Chief Investment Officer at Bahamdan Group. He previously held the position of Head of Infrastructure Investments at Al Muhaidib Group, and was a seed investor and the Chief Financial Officer and Advisor at Inner Wear Company. He also served as Managing Director of Shuaa Capital. Samer also held several positions at CITI Company as Portfolio Manager, Senior Dealer and other positions.

He holds a Bachelor of Science in Electrical and Electronics Engineering from Cornell University, a Master in Business Administration and Finance from Massachusetts Institute of Technology (MIT), and a Master in Engineering from the School of Operations Research and Information Engineering at Cornell University.

### Dr. Issam Zaid Mohammed Al Tawari

Independent Member
Chairman of the Audit Committee

Dr. Issam Zaid Mohammed Al Tawari is an Islamic finance expert and currently serves as the Managing Partner of Newbury Economic Consulting that he established in Kuwait. He is also a partner in EMARK Consulting and Training, and Advisor to the Chairman of the Board of the International Investor Company in Kuwait. He was also the Founder of Rasameel Structured Finance Company in Kuwait, where he served as the Chairman and the Managing Director. Issam has held several senior positions in various prominent institutions, including the Chairman of the Board of Ain Takaful Insurance Company and Sorooh Investment Company, and a Board director at Dubai Wire Company and Kuwait Catalyst Company, among others.

Issam holds a Bachelor's Degree in Economics & Business Administration from the University of Kuwait, an MBA from the University of Hull in the United Kingdom and a PhD in Business Administration from Durham University in the United Kingdom.



## Board Members' Profiles

### Mohammed Abdulrahman Moumena

Independent Member
Member of the Board's Risk Committee
Member of the Nomination & Remuneration Committee

Mohammed Abdulrahman Moumena is an accomplished senior executive with valuable experience in a wide range of challenging business sectors. With more than 20 years of experience, he has established his reputation as a business leader and thinker in Saudi Arabia and the wider Middle East. Mohammed currently holds the position of Managing Partner at Edward W Kelley & Partners. He is an independent Board director and the Chairman of the Risk Management Committee at Fransa Invest Bank. He is also an independent Board member and the Chairman of the Nomination & Remuneration Committee of the Middle East Healthcare Company (the Saudi-German Hospital in KSA), and at Initial Saudi Arabia Company. Mohammed also acts in a non-executive capacity for several other companies and charitable organizations.

Mohammed holds a Bachelor's Degree in Marketing from King Fahad University of Petroleum and Minerals, KSA.

### Dr. Lama Abdulaziz Al Solaiman

Independent Member
Chairman of the Board's Compliance Committee

Dr. Lama Al Solaiman is a shareholder and Vice Chairman of Rolaco Holding SA in Luxemburg, Vice Chairman of Kingdom Holdings Investments, Board's Member of the Committee for the Development of Jabal Al Laith, Member of Coutts Bank Advisory Board in the United Kingdom, Member of the Advisory Board of Effat University and Board Member of the Saudi Tennis Federation. Prior to that, she was a Board Member of Club Med, France, a former Board Member of Foras Investment, Saudi Arabia, Board Member of Saudi General Entertainment Authority and Member of the B20 Executive committee hosted in Saudi Arabia 2020. She was also the Vice Chair and a Board Member of Jeddah Chamber of Commerce in Jeddah, Saudi Arabia, as well as a Board Member of the Khadijah Bint Khuwailed Lobbying Center for Women.

She holds a PhD and Master in Health and Nutrition from King's College of London, and a Bachelor in Biochemistry from King Abdulaziz University.

### Ahmed Saud Hamza Ghouth

Member & CEO
Member of the Board's Investment Committee
Member of the Board's Risk Committee
Member of the Board's Compliance Committee

Ahmed Saud Ghouth is the Chief Executive Officer of Alkhabeer Capital. He has around 20 years of experience in investment banking, asset management, and Islamic corporate banking, which he gained in leadership roles in Alkhabeer Capital, as well as the experience gained during his employment at National Commercial Bank (rebranded Saudi National Bank), a leading financial institution in the Kingdom of Saudi Arabia.

Ahmed is a member of the Investment Committee of NEOM Energy and Water Company (ENOWA). He also holds the position of Chairman of Saudi Innova Healthcare Company and Vice Chairman of AME Company for Medical Supplies in Saudi Arabia.

He holds a Bachelor in Accounting from King Fahad University of Petroleum and Minerals, Dhahran, Saudi Arabia.

## Composition of the Board of Directors and Classification of its Members

The table below shows the composition of Alkhabeer Capital's Board of Directors and the classification of its members as at the end of 2023, in addition to the names of the companies in which Alkhabeer's Board member is also a board member:

| Member's Name | Member's Classification | Membership in Boards of Directors of Other Companies (Listed or Non-Listed) or Management Position(s) Held |
|---|---|---|
| Mr. Ammar Ahmed Shata (Chairman of the Board) | Non Executive | Chairman of the Board, AME Company for Medical Supplies<br>Member of the Board of Directors, Saad Hussain Bin Dajam Group<br>Chairman of the Board, Ghutra Digital Company<br>Chairman of the Board, VRMADA<br>Chairman of the Board, Tarteeb Professional Consulting Company<br>Member, Financial Sustainability Committee, Al Elm Charitable Foundation<br>Chairman of the Board, Integrated Development Company for Education and Training<br>Chairman of the Board, Ash Professional Consulting Company |
| Mr. Musaad Mohammad Saad Aldrees (Vice Chairman) | Non Executive | Not a member of the board of directors of any other listed or non-listed company. |
| Mr. Saeid Mohamed Binzagr | Non Executive | President and Chief Operating Officer, Abdullah & Saeid M.O. Binzagr Company<br>Chairman of the Board, Avon Beauty Arabia Company<br>Chairman of the Board, Binzagr Barwil Marine Transport Company<br>Member of the Board, General and Life Insurance Company, Oman<br>Member of the Board, Binzagr Co-Ro Company<br>Member of the Board, Binzagr Unilever Limited<br>Member of the Board, Abdullah & Saeid M.O. Binzagr Company Limited<br>Member of the Board, Binzagr Factory for Insulation Materials Company<br>Member of the Board, Binzagr Company<br>Member of the Board and Founder, Diyar Al-Khayyal Company<br>Member of the Board, International Marketing & Communications Company Limited<br>Member of the Board, Binzagr Company for Industrial and Commercial Investments Limited |
| Mr. Samer Sami Al Solh | Non Executive | Member, Sara Commercial Company<br>Member, Audit and Risk Committee, Health Water Bottling Co. Ltd. (NOVA) |
| Mr. Mohanad Haydar Binladin | Non Executive | Manager, Zileej DMCC<br>Manager, Makani Bayn Alkhotoot<br>Director, First Specialists for Energy Systems LLC<br>Member of the Board, Sky Steel Systems |
| Dr. Issam Zaid Mohammed Al Tawari | Independent | Director and Partner, Newbury Economic Consulting LLC<br>Director and Partner, Newbury International Real Estate Company LLC<br>Member of the Board, 19 Cleveland Square Limited<br>Member of the Board, Kuwait Catalyst Co. |
| Mr. Mohammed Abdulrahman Moumena | Independent | Independent Chairman of the Board, Vad International Company (Joint Stock Closed)<br>Independent Director, Middle East Healthcare Company (Public Joint Stock Company)<br>Member of the Board, Al-Wedad Charity Foundation<br>Member of the Board, Samir Trading and marketing Company (Joint Stock Closed)<br>Member of the Board, Al Mahmal Facilities Services Company LLC<br>Partner and Executive Director, Edward W. Kelley & Partner LLC |
| Dr. Lama Abdulaziz Al Sulaiman | Independent | Shareholder, Vice Chairman and Member of the Board, Rolaco Holding SA<br>Vice Chairman, Kingdom Holding Investments<br>Member of the Board and Founder, The Business Family House Management Advisory Company<br>Member of the Board, Saudi Tennis Federation<br>Member of the Board, International Chamber of Commerce |
| Mr. Ahmed Saud Ghouth | Executive | Chairman of the Board, Saudi Innova Healthcare Company<br>Chairman of the Board, Aljazirah Rent a Car<br>Chairman of the Board, Takamul Industrial Co.<br>Vice Chairman, AME Company for Medical Supplies, Saudi Arabia<br>Member of the Board, Integrated Development Company for Education and Training |

## Attendance of Board Meetings

The Board of Directors held five meetings during 2023. The following table shows the attendance of each of these meetings:

| Member's Name | First Meeting 6th March | Second Meeting 24th May | Third Meeting 26th July | Fourth Meeting 31st October | Fifth Meeting 25th December | Total 5 |
|---|---|---|---|---|---|---|
| Mr. Ammar Ahmed Shata | Attended | Attended | Attended Electronically | Attended | Attended | 5 |
| Mr. Musaad Mohammad Aldrees | Attended | Attended | Attended Electronically | Attended | Attended | 5 |
| Mr. Saeid Mohamed Binzagr | Attended | Attended Electronically | Attended Electronically | Attended | Attended Electronically | 5 |
| Mr. Mohanad Haydar Binladin | Attended | Attended | Excused Absence | Attended | Attended | 4 |
| Mr. Samer Sami Al Solh | Attended Electronically | Attended | Attended Electronically | Attended Electronically | Attended Electronically | 5 |
| Dr. Issam Zaid Al Tawari | Attended Electronically | Attended Electronically | Excused Absence | Attended | Attended | 4 |
| Mr. Mohammed Abdurahman Moumena | Attended | Attended | Attended Electronically | Attended | Attended | 5 |
| Dr. Lama Abdulaziz Al Sulaiman | Excused Absence | Attended | Attended Electronically | Attended Electronically | Attended | 4 |
| Mr. Ahmed Saud Ghouth | Attended | Attended | Attended Electronically | Attended | Attended | 5 |

Attended   Attended Electronically   Excused Absence

## Shareholding of Board Members, Top Executives and Related Persons

The following table shows any interest in Alkhabeer Capital owned by the Board Members, Top Executives and any person related to them, and any change in such interest during FY 2023:

| Name | Classification | Related Person | Number of Shares as at the Beginning of 2023 | Percentage Shareholding as at the Beginning of 2023 | Number of Shares as at the end of 2023 | Percentage Shareholding as at the End of 2023 |
|---|---|---|---|---|---|---|
| Mr. Ammar Ahmed Shata | Chairman of the Board | - | 1,362,257 | 1.52% | 968,757 | 1.08% |
| Mr. Mosaad Mohammad Aldrees | Vice Chairman of the Board | - | 1,760,000 | 1.96% | 1,720,000 | 1.92% |
| Mr. Saeid Mohamed Binzagr | Director | * (Father) Mr. Mohammed Obeid Saeid Binzagr | 2,337,500 | 2.61% | 2,337,500 | 2.61% |
| Mr. Saeid Mohamed Binzagr | Director | ** Abdullah & Saied M.O. Binzagr Company | 6,875,000 | 7.68% | 6,875,000 | 7.68% |
| Mr. Ahmed Saud Ghouth | Chief Executive Officer | - | 269,385 | 0.30% | 269,385 | 0.30% |

* Includes (2,337,500) shares owned by (the father) Mr. Mohammed Obeid Saeid Binzagr.

** Includes (6,875,000) shares owned by Abdullah & Saeid M.O. Binzagr Company, in which Mr. Saeid Mohamed Obeid Binzagr and his father Mr. Mohammed Obeid Saeid Binzagr jointly own an indirect interest of 12.79% through their ownership of a share in Binzagr Company for Industrial and Commercial Investments Ltd.

## Business, Contracts and Transactions with Related Parties

During its ordinary business cycle, Alkhabeer Capital transacts business with related parties. The Company and the Board of Directors find that transactions with related parties are executed on similar terms as transactions with other parties. Transactions with related parties are subject to the limits provided in the laws, regulations and instructions issued by the regulatory authorities concerned in the Kingdom of Saudi Arabia, as well as the best corporate governance practice adopted by the Company in the performance of its business activities. The annual financial statements contain a note on financial transactions with related parties.

During the fiscal year ending 31 December 2023, the Tenth Extraordinary General Assembly, held on 24 May 2023, approved the signing of an advisory contract with Mr. Ammar Ahmed Shata, the Chairman of the Board, for a term of one year starting 3 January 2023. The Board's Nomination and Remuneration Committee with the authority vested in it by the Board of Directors, has reviewed the advisory contract to ascertain that it did not contain any preferential conditions and benefits. The value of the aforementioned advisory contract totaled SAR 1.2 million, inclusive of value added tax (VAT).

Apart from that, the Board acknowledges that there are no business activities and/or contracts to which the Company was a party. Moreover, neither the Chairman nor any member of the Board Directors, the Chief Executive Officer or any person directly related to any of them, has or had any direct and/or indirect material interest in any such business activities, contracts and/or transactions, other than what was disclosed in the statement of transactions with related parties.

## Board Committees

The Board of Directors has five main committees, namely: The Audit Committee, the Nomination and Remuneration Committee, the Investment Committee, the Risk Committee and the Compliance Committee. These committees play a vital role in assisting the Board of Directors to perform its assigned regular duties. Following is a short description of the competencies and tasks of the Board's main committees, as well as the structure of their membership and the number of meetings they held during 2023.

## Board Investment Committee

This Committee performs its tasks of assisting the Board in carrying out its responsibilities in relation to the review and approval of the Company's investment policies, strategies and operations, as well as in monitoring the Company's financial performance and the performance of its investments. The Committee also oversees the Company's capital and financial resources. The Committee held four meetings during 2023. The following table lists the attendance in each meeting:

| Member's Name | Position | First Meeting 5th March | Second Meeting 31st May | Third Meeting 27th September | Fourth Meeting 13th December | Total 4 |
|---|---|---|---|---|---|---|
| Mr. Saied Mohamed Binzagr | Chairman | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. Ammar Ahmed Shata | Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. Mosaad Mohammad Aldrees | Member | Attended | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. Samer Sami Al Solh | Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. Ahmed Saud Ghouth | Member | Attended | Attended | Attended | Attended | 4 |

Attended   Attended Electronically   Excused Absence

## Audit Committee

The Audit Committee supports the Board's supervisory functions in ensuring the integrity of financial statements, the qualification and independence of the independent external auditors and the sound performance of the Company's Internal Audit function.

The Audit Committee held four meetings during 2023. The following table lists the attendance in each meeting:

| Member's Name | Position | First Meeting | Second Meeting | Third Meeting | Fourth Meeting | Total |
|---|---|---|---|---|---|---|
| | | 5th March | 25th July | 30th October | 24th December | 4 |
| Dr. Issam Zaid Al Tawari | Chairman | Attended Electronically | Attended Electronically | Attended | Attended | 4 |
| Mr. Mohanad Haydar Binladin | Member | Attended | Attended Electronically | Attended | Attended | 4 |
| Mr. Othman Mohammed Bafaqih | Member | Attended Electronically | Attended Electronically | Attended | Attended | 4 |

Attended   Attended Electronically   Excused Absence

## Nomination and Remuneration Committee:

The Board's Nomination and Remuneration Committee is responsible for overseeing the development and implementation of a clear and fair policy for remunerating the members of the Board of Directors and the Executive Management. The Committee also oversees the performance evaluation of the Board of Directors and Board committees. In addition, the Nomination and Remuneration Committee monitors disclosures related to remuneration granted in accordance with regulatory requirements, using annual reports and statements. Moreover, the main responsibilities of the Committee include recommending nominations and re-nominations for membership of the Board of Directors and Board committees. The following table lists the attendance of the Committee meetings in 2023:

| Member's Name | Position | First Meeting | Second Meeting | Third Meeting | Fourth Meeting | Total |
|---|---|---|---|---|---|---|
| | | 5th February | 28th February | 8th May | 19th December | 4 |
| Mr. David Huntley | Chairman - Independent Non-Board Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. John Bladen | Independent Non-Board Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |
| Mr. Mohammed Abdulrahman Moumena | Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended Electronically | 4 |

Attended   Attended Electronically   Excused Absence

## Board's Risk Committee

The Board's Risk Committee oversees the risk management function in the Company and ensures Management's awareness and understanding of the Company's material risk exposures. It also develops a strategy to ensure implementation of comprehensive policies and procedures capable of managing these risks and associated operations in order to maintain an acceptable risk level, subject to authority limits as may be defined by the Board of Directors. The Committee also reviews action taken to ensure the implementation of a complete risk management organization structure.

## Reformation of the Committee:

To ensure the independence of the Committee and implement the highest standards of good governance which Alkhabeer applies in conducting its business, the Board of Directors of Alkhabeer Capital has resolved by circulation on 13 April 2023 to restructure the Committee to be comprised of independent directors from within and outside the Board of Directors, as shown in the below table. The aforementioned Resolution provided for the new formation to be applied effective as of the date of the Resolution. These amendments shall be reflected in the Committee's charter.

The Committee held four meetings during 2023. The following table lists the attendance in each meeting:

| Member's Name | Position | First Meeting | Second Meeting | Third Meeting | Fourth Meeting | Total |
|---|---|---|---|---|---|---|
| | | 19th March | 24th July | 29th October | 19th December | 4 |
| Mr. Abdulkader Thomas | Chairman - Independent Non Board Member | Attended Electronically | Attended Electronically | Attended | Attended Electronically | 4 |
| Mr. Ammar Ahmed Shata | Member | Excused Absence | No longer a committee member | | | |
| Mr. Mohammed Abdulrahman Moumena | Member | Attended Electronically | Excused Absence | Attended Electronically | Attended Electronically | 3 |
| Mr. Ahmed Saud Ghouth | Member | Attended | Attended | Attended | Attended | 4 |
| Mr. Tariq Hussain Linjawi | Member | Was not a committee member | Attended Electronically | Attended Electronically | Attended Electronically | 3 |

Attended   Attended Electronically   Excused Absence

## Board Compliance Committee

The main purpose of the Board's Compliance Committee is to assist the Board in overseeing the compliance program in respect of compliance with the laws and regulations issued by the Capital Market Authority and Saudi Tadawul Group, provide good advice to Management on best compliance practices, as well as ensure that Alkhabeer Capital's internal policies and procedures are in line with applicable regulations.

The Committee held four meetings during 2023. The following table lists the attendance in each meeting:

| Member's Name | Position | First Meeting | Second Meeting | Third Meeting | Fourth Meeting | Total |
|---|---|---|---|---|---|---|
| | | 8th February | 12th March | 24th July | 22th October | 4 |
| Dr. Lama Abdulaziz Al Sulaiman | Chairman | Attended | Attended Electronically | Excused Absence | Attended | 3 |
| Mr. Mohanad Haydar Binladin | Member | Attended Electronically | Attended Electronically | Attended Electronically | Attended | 4 |
| Mr. Ahmed Saud Ghouth | Member | Attended | Attended | Attended | Attended | 4 |
| Mr. Ibrahim Shukri Saad | Member | Attended | Attended | Attended | Attended | 4 |
| Mr. Ziad Adeeb Elias | Member | Attended | Attended | Attended | Attended | 4 |

Attended   Attended Electronically   Excused Absence

## Shari'a Supervisory Board

Shariyah Review Bureau W.L.L. oversees the Shari'ah advisory activities at Alkhabeer Capital, and advises on product offerings and structuring, issues compliance certificates (fatwa) and conducts Shari'ah supervisory audits. Shariyah Review Bureau employs around 33 reputable Shari'ah scholars in various countries, including the Kingdom of Saudi Arabia, Malaysia, Algeria, Egypt, UAE, Sudan and Kingdom of Bahrain.

The Shari'ah Supervisory Board provides the Company with Shari'ah guidelines and approvals in relation to the products which the Company asks the Shari'ah Supervisory Board to review and express Shari'ah opinion. The Shari'ah Supervisory Board also provides Shari'ah compliant consultation and solutions to cater to the Company's strategic business needs.

## Remuneration and Compensation

The table below shows the details of the remuneration and compensation paid to the members of the Board of Directors, and five of the senior executives who received the highest remuneration and compensation, including the Chief Executive Officer, Deputy Chief Executive Officer and the Chief Financial Officer:

| Description | Board Executive Directors * (SAR) | Board Non-Executive Directors (SAR) | Board Independent Directors (SAR) |
|---|---|---|---|
| Allowance for attending committees | 0 | 0 | 0 |
| Allowance for attending Board sessions | 0 | 0 | 0 |
| Periodic and annual remuneration | 0 | 1,420,000 | 735,891 |
| Incentive plans | 0 | 0 | 0 |
| Any other compensation or in-kind benefits payable monthly or annually | 0 | 0 | 0 |
| Total | 0 | 1,420,000 | 735,891 |

| Description | Five of the senior executives who received the highest remuneration and compensation, including the Executive Director, Chief Executive Officer and the Chief Financial Officer (SAR) |
|---|---|
| Salaries and compensation | 6,604,128 |
| Allowances | 2,325,872 |
| Periodic and annual remuneration | 11,343,755 |
| Incentive plans | 4,090,895 |
| Commissions | - |
| Any other compensation or in-kind benefits payable monthly or annually | - |
| Total | 24,399,650 |

## The data listed in the above table includes the following:

- Salaries and Compensation: Includes basic salary and fixed incentives.
- Allowances: Include housing allowance, transportation allowance, education allowance, meeting attendance fees, and Board and committees sessions attendance fees.
- Periodic and Annual Remuneration: Includes annual incentives paid in cash.
- Incentive Plans: Include deferred remuneration, in accordance with the Company's Remuneration Policy.
- Any other compensation or in-kind benefits payable monthly or annually: Includes non-cash benefits payable to the employee.

## Any arrangement or agreement by which any Board Member or senior executive assigns any remuneration or compensation

The Company has no knowledge of any arrangements or agreements pertaining to any assignment of salaries, remuneration or compensation by any Board member or senior executive.



## Executive Management Committee

The Executive Management is supported by the following Management Committees:.

## Investment Committee

The Investment Committee (IC) has an overall responsibility for reviewing and approving investment proposals within the authority levels as mandated via Alkhabeer's authority matrix, and ensures that up-to-date policies and procedures are in place.

## The Investment Committee's Sub-committees are:

- Assets and Liabilities Management Committee.
- Product Development Committee.
- Capital Markets Investment Committee.

## Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee (ALMC) is the committee responsible for recommending the development of policies relating to the management of all assets and liabilities (balance sheet structure, funding structure and hedging and investment limits) under the overall risk management framework. ALMC plays a crucial role in the liquidity risk management within Alkhabeer.

## Product Development Committee

The purpose of the Product Development Committee is to assist Alkhabeer's business lines in making enlightened decisions with regards to the introduction of new products or services, improvement of existing products or services and supervision of the product development process.

## Capital Markets Investment Committee

The primary responsibility of the Capital Markets Investment Committee is to contribute to the review and analysis of the domestic and global economic environment, the analysis of domestic and world capital markets, the management of all fund investments and the review of discretionary portfolio management products.

## Enterprise Risk Management Committee

The primary responsibility of the Enterprise Risk Management Committee is to ensure that sound policies, procedures and practices are in place for the enterprise-wide management of the Company's credit, market and operational risks.

## Human Resources Management Committee

The Human Resources Management Committee is responsible for periodically reviewing and monitoring the development of Alkhabeer's Human Capital. The Committee also identifies key critical positions, and ensures that a succession plan is developed and put in place, and that the scale of remuneration is in line with the marketplace.

## Information Technology Committee

The Information Technology Committee is a management committee whose primary purpose is to approve the Company's IT strategy and supervise its implementation. The Committee is also responsible for supervising the IT functionality from a business and risk management point of view, and ensuring proper segregation of duties (Chinese Walls) in line with compliance requirements. Additional responsibilities include ensuring that the IT policy and procedures are regularly updated, supervising the management of critical information in line with the Business Continuity Plan (BCP) and ensuring that the Disaster Recovery Plan (DRP) is tested at least once a year.

## Business Continuity Management Committee

The Business Continuity Management Committee's main objective is to ensure the effectiveness of the Company's Business Continuity Plan and the safety of the Company's employees in case of a disaster (God forbid). In addition, the Committee is responsible for implementing a yearly emergency drill for evacuation of the Company's head office, in line with CMA's instructions.

## Cybersecurity Committee

The main objective of the Cybersecurity Committee is to develop the cybersecurity strategy, supervise its implementation, monitor electronic functions, protect electronic systems, networks and data against cyberthreats and prevent hacks and breaches to ensure the integrity of Alkhabeer Capital's information technology assets.

## Corporate Social Responsibility Committee

The primary responsibility of the Corporate Social Responsibility Committee is to develop a clear and practical strategy for implementing social responsibility programs adopted by the Company, and to supervise the implementation of this strategy.




# ADMINISTRATION EXECUTIVE

**Ahmed Saud Hamzah Ghouth**
Chief Executive Officer

**Hisham Omar Baroom**
Deputy Chief Executive Officer

**Tamer Abdelraheem**
Chief Financial Officer

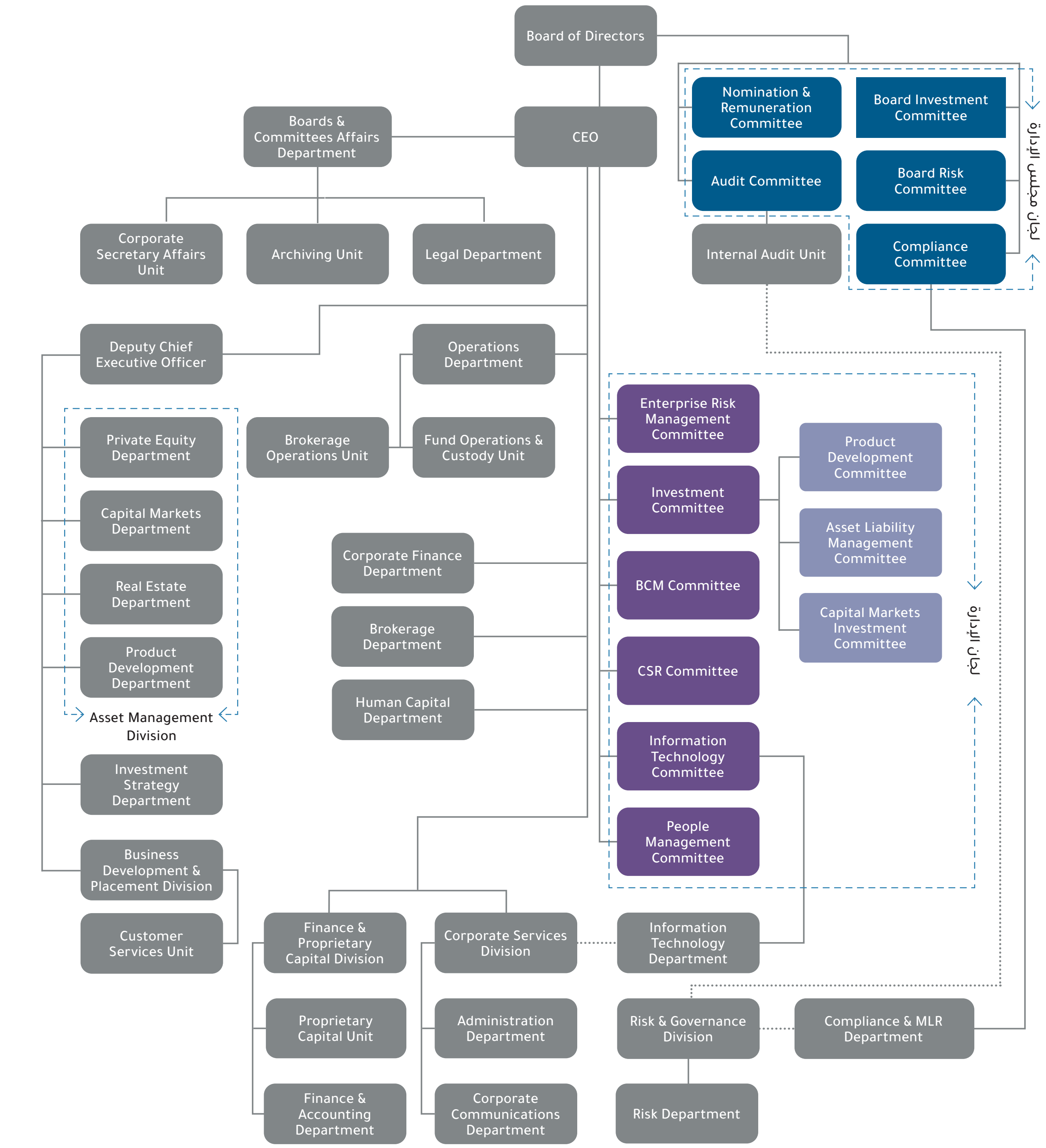
**Ziad Nawfal**
Chief Investment Officer

**Ibrahim Saad**
Chief Risk Officer

# ORGANIZATIONAL STRUCTURE

# ORGANIZATIONAL STRUCTURE

Alkhabeer Capital's flat and flexible organizational structure encourages a collaborative environment for internal teams and clients alike. This has, in turn, enabled us to build strong enduring relationships that form the bedrock of company our business philosophy.




Division: more than one department
Department: two employees or more
Unit: less than two employees

Board Committees | Management Committees - Including Members of the Board of Directors | Management Committees | Management Subcommittees | Direct Reporting | Administrative Reporting

# SHARI'A REVIEW REPORT



# SHARI'A REVIEW REPORT

SHARIYAH REVIEW BUREAU

بسم الله الرحمن الرحيم

**Annual Shari'a Committee's Report to the Shareholders of Alkhabeer Capital**

Praise be to Allah, Lord of the worlds, and peace and blessings be upon Mohammed, the leader of Prophets and Messengers, and upon his family and Companions, and upon those who follow his Guidance until the Day of Judgment.

It is our pleasure to present to you the Shari'a Committee's Report for Alkhabeer Capital (hereinafter 'Company'). In compliance with the letter of appointment we the undersigned have reviewed the Company's business & activities for the year ended 31st December 2023.

The prime responsibility for ensuring compliance with Shari'a standards and rules in all activities and business operations lie with the Company management. It is our responsibility to present an independent opinion of the Company's operations and to communicate it to the Shari'a Committee.

We have reviewed all products, transactions, agreements and pertinent documentation adopted by the Company during year ended 31st December 2023 and an audit was conducted upon Company's activities as detailed in the Shari'a Audit report which was performed to ensure that the Company's activities were in compliance with the set rules, principles and guidelines in addition to soliciting all information, documentations that were deemed necessary to reach to sound conclusions.

Based on the above and taking in consideration the recommendations set out in the Shari'a Audit report, it is our opinion that the reviewed transactions, related documentation & processes, business activities and dealings entered into by the Company during the year ended 31st December 2023 are in compliance with the Islamic Shari'a Rules, Principles and Guidelines.

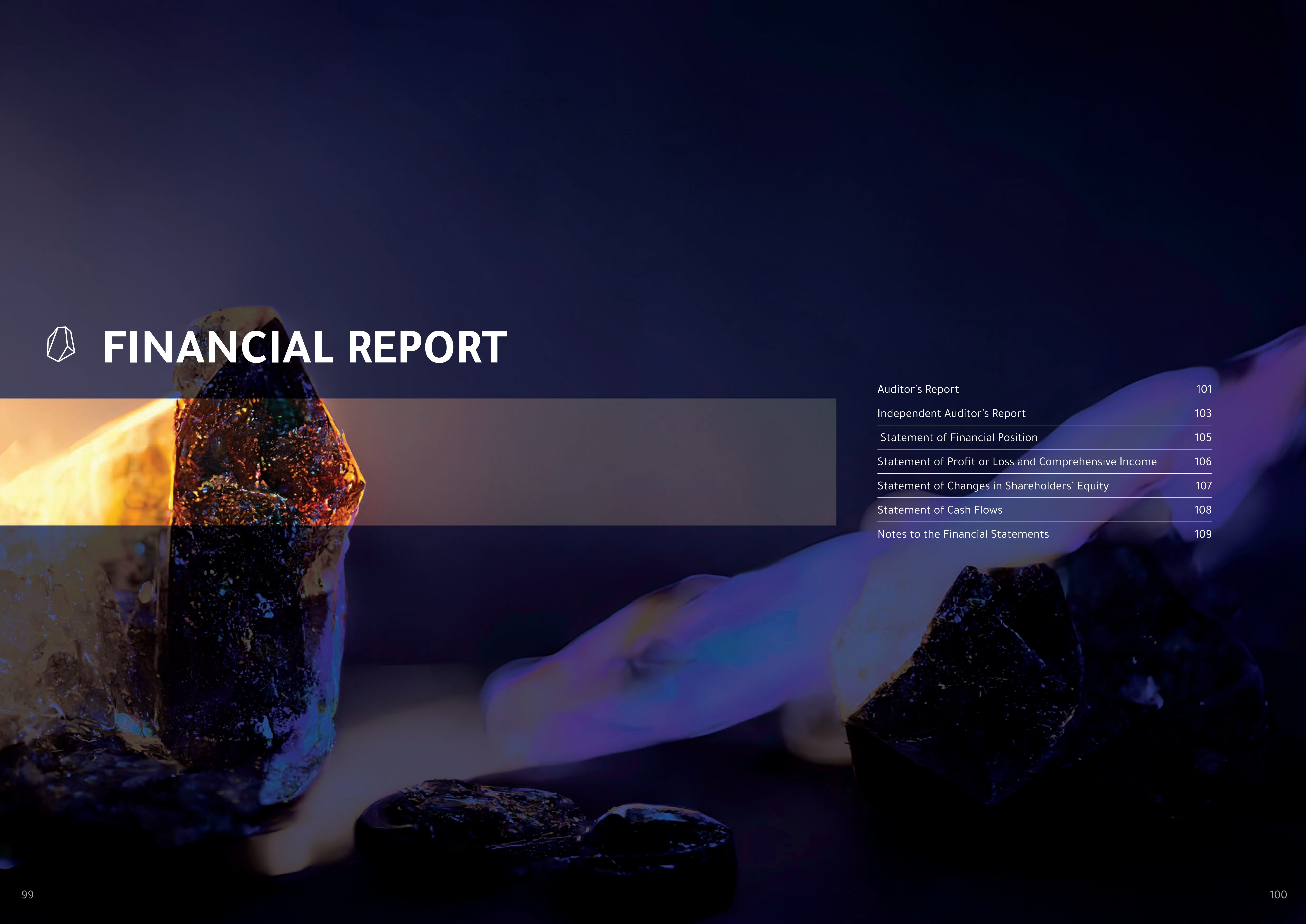
May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

**Sh. Muhammad Ahmad Sultan**
**Chairperson - Shari'a Scholar**
**April 3, 2024**

SHARIYAH REVIEW BUREAU

THE CENTRAL BANK OF BAHRAIN

www.shariyah.com



# FINANCIAL REPORT

# AUDITOR'S REPORT

# AUDITOR'S REPORT

ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)
Paid-Up Capital (SR 5,500,000 - Five Million Five Hundred Thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994 - Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

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**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of AlKhabeer Capital Company (A Saudi Closed Joint Stock Company)**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

**INDEPENDENT AUDITOR'S REPORT**
**To the Shareholders of AlKhabeer Capital Company (A Saudi Closed Joint Stock Company) (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Jeddah 28 March 2024
18 Ramadan 1445H

J14
EY
CR. 4030276644
Ernst & Young Professional Services (Professional LLC)

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AlKhabeer Capital Company (A Saudi Closed Joint Stock Company)

## Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("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 Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

## Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AlKhabeer Capital Company (A Saudi Closed Joint Stock Company) (continued)

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

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

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

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

for Ernst & Young Professional Services

Ahmed Ibrahim Reda

Certified Public Accountant

License No. 356

Jeddah 28 March 2024

18 Ramadan 1445H

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | Notes | 2023 SR '000 | 2022 SR '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash at banks | | **30,056** | 26,823 |
| Murabaha placements | 5 | **2,558** | 3,619 |
| Accounts receivable, prepayments and other receivables | 6 | **6,780** | 6,439 |
| Due from related parties | 7 | **250,982** | 218,546 |
| Investments at fair value through profit or loss ("FVTPL") | 8 | **150,120** | 300,128 |
| **TOTAL CURRENT ASSETS** | | **440,496** | 555,555 |
| **NON-CURRENT ASSETS** | | | |
| Investments at fair value through profit or loss ("FVTPL") | 8 | **1,330,644** | 1,139,145 |
| Murabaha placements | 5 | **-** | 100 |
| Right of use assets | 9 | **3,884** | 4,660 |
| Investment property | 28 | **147,538** | 147,538 |
| Property and equipment | 10 | **44,067** | 46,479 |
| **TOTAL NON-CURRENT ASSETS** | | **1,526,133** | 1,337,922 |
| **TOTAL ASSETS** | | **1,966,629** | 1,893,477 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payables, accrued and other liabilities | 11 | **139,609** | 187,096 |
| Murabaha contracts | 12 | **211,479** | 231,368 |
| Sharia compliant financing | 13 | **37,604** | 13,696 |
| Lease liability | 9 | **825** | 787 |
| **TOTAL CURRENT LIABILITIES** | | **389,517** | 432,947 |
| **NON-CURRENT LIABILITIES** | | | |
| Accounts payables, accrued and other liabilities | 11 | **61,720** | 63,925 |
| Murabaha contracts | 12 | **122,800** | 109,900 |
| Sharia compliant financing | 13 | **271,225** | 223,704 |
| Employees' benefits liabilities | 14 | **21,330** | 20,184 |
| Lease liability | 9 | **3,725** | 4,550 |
| **TOTAL NON-CURRENT LIABILITIES** | | **480,800** | 422,263 |
| **TOTAL LIABILITIES** | | **870,317** | 855,210 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 17 | **894,523** | 894,523 |
| Statutory reserve | 18 | **60,359** | 50,073 |
| Retained earnings | | **141,740** | 93,893 |
| Actuarial losses, net | 14 | **(310)** | (222) |
| **TOTAL SHAREHOLDERS' EQUITY** | | **1,096,312** | 1,038,267 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,966,629** | 1,893,477 |

# STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | 2023 SR '000 | 2022 SR '000 |
|---|---|---|---|
| **INCOME** | | | |
| Income from investments at fair value through profit or loss, net | 8 | **203,228** | 169,314 |
| Fee income | 19 | **76,601** | 86,585 |
| Dividend income | | **9,207** | 762 |
| Income from Murabaha placements | | **44** | 5,395 |
| **TOTAL OPERATING INCOME** | | **289,080** | 262,056 |
| **OPERATING EXPENSES** | | | |
| Selling and marketing | 20 | **(9,966)** | (9,646) |
| General and administrative | 21 | **(126,467)** | (117,988) |
| **TOTAL OPERATING EXPENSES** | | **(136,433)** | (127,634) |
| **NET OPERATING INCOME** | | **152,647** | 134,422 |
| Murabaha and financing expenses | 22 | **(45,426)** | (40,112) |
| Finance cost on leased liabilities | 9 | **(213)** | (249) |
| Other income | | **1,487** | 1,350 |
| **PROFIT BEFORE ZAKAT** | | **108,495** | 95,411 |
| Zakat | 15 | **(5,636)** | (4,020) |
| **PROFIT FOR THE YEAR** | | **102,859** | 91,391 |
| **OTHER COMPREHENSIVE (LOSS)/INCOME** | | | |
| **Items that will not be reclassified to the profit or loss** | | | |
| (Loss)/gain on re-measurement of employees' benefits liabilities | 14 | **(88)** | 605 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **102,771** | 91,996 |
| **BASIC AND DILUTED EARNINGS PER SHARE** | | | |
| Weighted number of shares (in thousands) | 17 | **89,452** | 89,452 |
| Attributable to profit after zakat (in SR) | 29 | **1.15** | 1.02 |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

| | Share capital SR '000 | Statutory reserve SR '000 | Retained earnings SR '000 | Actuarial (loss)/ gain, net SR '000 | Total SR '000 |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | 894,523 | 40,934 | 48,241 | (827) | 982,871 |
| Profit for the year | - | - | 91,391 | - | 91,391 |
| Other comprehensive income (note 14) | - | - | - | 605 | 605 |
| **Total comprehensive income** | - | - | 91,391 | 605 | 91,996 |
| Transfer to statutory reserve (note 18) | | 9,139 | (9,139) | - | - |
| Dividend declared (note 16) | - | - | (36,600) | - | (36,600) |
| **Balance at 31 December 2022** | 894,523 | 50,073 | 93,893 | (222) | 1,038,267 |
| Profit for the year | **-** | **-** | **102,859** | **-** | **102,859** |
| Other comprehensive loss (note 14) | **-** | **-** | **-** | **(88)** | **(88)** |
| **Total comprehensive income** | **-** | **-** | **102,859** | **(88)** | **102,771** |
| Transfer to statutory reserve (note 18) | **-** | **10,286** | **(10,286)** | **-** | **-** |
| Dividend declared (note 16) | **-** | **-** | **(44,726)** | **-** | **(44,726)** |
| **Balance at 31 December 2023** | **894,523** | **60,359** | **141,740** | **(310)** | **1,096,312** |

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

| | Notes | 2023 SR '000 | 2022 SR '000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before zakat | | **108,495** | 95,411 |
| Adjustments to reconcile profit before zakat to net cash flows: | | | |
| Income from investments at fair value through profit or loss, net | 8 | **(203,250)** | (169,314) |
| Depreciation of property and equipment | 10 | **3,404** | 3,312 |
| Depreciation of right of use assets | 9 | **776** | 776 |
| Provision for employees' benefits liabilities | 14 | **3,477** | 2,992 |
| Finance cost on leased liabilities | 9 | **213** | 249 |
| Disposal of property and equipment | | **2** | - |
| | | **(86,883)** | **(66,574)** |
| Changes in operating assets and liabilities | | | |
| Accounts receivable, prepayments and other receivables | 6 | **(341)** | 7,685 |
| Due from related parties | 7 | **(32,436)** | (60,426) |
| Accounts payable, accrued and other liabilities | 11 | **(59,086)** | (25,769) |
| Purchase of investments at FVTPL | 8 | **-** | (247,139) |
| Proceeds from disposal of investments at FVTPL | 8 | **161,759** | 322,995 |
| Cash used in operations | | **(16,987)** | (69,228) |
| Employees' benefits liabilities paid | 14 | **(2,419)** | (1,646) |
| Zakat and income tax paid | 15 | **(3,011)** | (2,295) |
| Net cash used in operating activities | | **(22,417)** | (73,169) |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 10 | **(994)** | (1,560) |
| Murabaha placements issued | 7 | **(7,000)** | (77,250) |
| Proceeds from Murabaha placements | 7 | **8,161** | 230,012 |
| Net cash from investing activities | | **167** | 151,202 |
| **FINANCING ACTIVITIES** | | | |
| Murabaha contracts issued | | **292,000** | 341,000 |
| Murabaha contracts repaid | | **(298,989)** | (630,229) |
| Sharia compliant financing paid | | **(17,071)** | (18,750) |
| Sharia compliant financing received | | **88,500** | 237,400 |
| Payment of principal portion of lease liabilities | 9 | **(1,000)** | (900) |
| Dividend paid | 16 | **(37,957)** | (30,505) |
| Net cash from / (used in) financing activities | | **25,483** | (101,984) |
| **Net increase / (decrease) in cash at banks** | | **3,233** | (23,951) |
| Cash at banks at the beginning of the year | | **26,823** | 50,774 |
| Cash at banks at the end of the year | | **30,056** | 26,823 |
| **NON-CASH SUPPLEMENTARY INFORMATION** | | | |
| Payable against investment purchased during the year | 11 | **-** | 84,150 |
| Gain on re-measurement of employees' benefits liabilities | 14 | **88** | 605 |
| Dividend shares | 10 | **22** | - |

# NOTES TO THE FINANCIAL STATEMENTS

At 31 DECEMBER 2023

## 1 ORGANIZATION AND ACTIVITIES

AlKhabeer Capital Company ("AKC", or "the Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445 dated 14 Rabi Awal 1429H (corresponding to 22 March 2008). The Commercial Registration of the Company was amended on 14 Shawal 1430H (corresponding to 5 October 2009) by virtue of which the name of the Company was amended from AlKhabeer Merchant Finance Corporation to AlKhabeer Capital Company.

The Company is engaged in the following activities in accordance with the Capital Market Authority's Resolution no. H/T/919 dated 3 Rabi a' Thani 1429H (corresponding to 9 April 2008) and License No. 07074-37:

a) Arranging

b) Managing

c) Advising

d) Custody

e) Underwriting; and

f) Dealing

The Company's registered office is located at the following address:

AlKhabeer Capital

Al-Madina Road, P.O. Box 128289

Jeddah

Saudi Arabia

As at 31 December 2023, the Company operates through a branch with commercial registration 1010439273 registered in Riyadh (31 December 2022: same). The accompanying financial statements include the assets, liabilities and results of this branch.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The Company has amended its bylaws to align it to the provisions of the Law.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

The Company has multiple unrelated investors and holds and/or manages multiple investments in various funds and companies (hereinafter referred as 'Investee and/or Managed Entities'). Ownership interests of the Company in investee entities are in the form of equity/ ownership stake. The Company has been deemed to meet the definition of an investment entity as per IFRS 10 "Consolidated Financial Statements" as the following conditions exist;

a) The Company has obtained funds for purpose of providing investors with professional investment management services;

b) The Company's business purpose is investing for capital appreciation and investment income; and

c) The investments are measured and evaluated on a fair value basis.

Since the Company meets the definition of an investment entity as per the guidance given in IFRS 10 "Consolidated Financial Statements" (note 3), it is exempted from consolidating the investee entities and from the application of IFRS 3 "Business Combinations" when it obtains control of another entity. Such unconsolidated investee entities are, instead, measured and classified by the Company as 'financial asset at fair value through profit or loss' in accordance with IFRS 9 "Financial Instruments".

### 2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for investments measured at fair value through profit or loss and actuarial valuation of employees' benefits liabilities which are calculated using "Projected Unit Credit Method".

### 2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency of the Company. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand, unless otherwise stated.

### 2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, 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 assets or liabilities affected in future periods.

#### Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most relevant effect on the amounts recognised in the financial statements.

#### Going concern

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

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

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

Generally, the Company enters into lease contracts which include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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 Company based its assumptions and estimates on parameters available when these 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 Company. 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. 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 charge for expected credit losses of financial assets

The Company uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions as well as the available security. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in note 23.

**Impairment of non-financial assets**

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

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

**Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

**Actuarial valuation of employees' benefits liabilities**

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

**Provisions**

Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Investment entity**

An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's objective by investing the investee entities remain to be earning fee and capital appreciation. All investments are reported at fair values. The Company has a clearly documented exit strategy for all of its investments. The Company meets the definition the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of units, shares and similar securities; it has more than one investor and its investors are not related parties. Management has concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any, if these criteria or characteristics change.

**Leases - Estimating the incremental borrowing rate**

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

**2.5 Impact of new standards, interpretations and amendments adopted by the Company**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

**Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

1. A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
2. Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception - the use of which is required to be disclosed - applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements as the Company is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information adopted for the preparation of these financial statements are as follows:

### 3.1 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised as other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the statement of 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

### 3.2 Current versus non-current classification

**Assets**

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

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

All other assets are classified as non-current.

**Liabilities**

A liability is current when:

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

The Company classifies all other liabilities as non-current.

### 3.3 Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position 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 Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 (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 Company 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.

### 3.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**i) Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit (SPPP)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost

b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

d) Financial assets at fair value through profit or loss (FVTPL)

**a) Financial assets at amortised cost (debt instruments)**

The Company measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash at banks and accounts receivable, prepayments and other receivables.

**b) Financial assets at fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Company does not have any financial assets at fair value through OCI.

**c) Financial assets at fair value through OCI (equity instruments)**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not have any financial assets at fair value through OCI.

**d) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets classified as fair value through profit or loss comprise investments in a short term discretionary portfolio and the investee entities, are acquired principally for the purpose of selling or repurchasing in the short term.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the of the respective investee entity, which is reflective of the fair value of these securities.

**Business model assessment**

The Company makes an assessment of the objective of a business model under which an asset is held, 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 financial assets and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the financial assets are evaluated and reported to the Company'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 in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)**

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company 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 the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

**ii) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financing, payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts payable, other liabilities, Shariah compliant financing and Murabaha contract.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Amortised cost**

After initial recognition, long term payables are subsequently measured at amortised cost using the EPR method. Gains and losses as a result of unwinding of profit cost through EPR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the statement of profit or loss.

### iii) Derecognition

**Financial assets**

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Financial liabilities**

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

### iv) Offsetting of financial instruments

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

### 3.5 Impairment of financial and non-financial assets

**Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Company recognises an allowance for ECLs for all financial assets not held at fair value through profit or loss. For accounts receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company also take into account the underlying securities as well as its rights to claim. In all cases, the Company has a priority claim as asset manager over the cash flows generated by the respective investee entity. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when payments are not made as per contractual terms which may vary from obligor to obligor. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

### 3.6 Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, in accordance with the requirements of Capital Market Authority (CMA) Regulations, the company policy is to measure investment properties using the cost model.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement for profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

### 3.7 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements/assets are depreciated on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repairs and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Gains or losses on sale or retirement of property and equipment are included in the statement of profit or loss.

The estimated useful lives of the principal classes of assets are as follows:

| | Years |
|---|---|
| Building | 25 |
| Leasehold improvements | 4 and 11 |
| Office and computer equipment | 3-4 |
| Furniture and fixtures | 4 |
| Vehicles | 5 |

### 3.8 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, and accordingly, are not included in the statement of financial position. Details of these assets are disclosed in note 25 of the financial statements.

**3.9 Provisions**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 recognised as a finance cost.

**3.10 Leases**

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

**Company as a lessee**

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

**Right-of-use assets**

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

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

**Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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



**3.11 Employee benefits liabilities**

The Company operates an employees' end of service benefits scheme benefits.

End of service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return of the services in the current and prior periods. The benefits are discounted to determine its present value and any unrecognized past service cost.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation by a qualified actuary. Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net profit expense / income; and
- Remeasurement gains/(losses).

The Company recognizes and presents the first two components of the defined benefit costs in profit or loss. Gains / (losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains / (losses) are accounted for as past service cost in the profit or loss in the period of plan amendment.

The companies in KSA are also required to contribute towards a state-owned benefit plan, General Organization for Social Insurance ("GOSI"), where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

**3.12 Revenue recognition**

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Company when those inflows result in increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at fair value of consideration received or receivable. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Company, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Company applies a five-step model to determine when to recognize revenue and at what amount.

- 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

Accordingly, the Company recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

- Fixed fees received under financial services agreements are non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestones have been met or the agreement is terminated.
- Success fees are recognized when the related financing has been successfully raised for the client.
- Management and custody fees are recognized on a time apportioned basis.
- Finance income on Murabaha placements is recognised on a time apportioned basis.
- Dividend income is recognised when the right to receive payment is established.

**3.13 Expenses**

Selling and distribution expenses are those that specifically relate to marketing expenditure. All other expenses are classified as general and administration expenses.

**3.14 Zakat and income tax**

**Zakat**

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat, Tax and Customs Authority ("ZATCA") and is charged to the statements of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

**Deferred income tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is provided using the liability method on temporary differences at the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited to income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Withholding tax**

The Company companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

**3.15 Dividend distributions**

The Company recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognized in statement of changes in shareholders' equity.

**3.16 Value added tax (VAT)**

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

## 4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

**Lease Liability in a Sale and Leaseback - Amendments to IFRS 16**

Effective for annual periods beginning on or after 1 January 2024. In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are not expected to have a material impact on the Company's financial statements.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendment is not expected to have any impact on the financial statements of the Company.

**Disclosures: Supplier Finance Arrangements Amendments to IAS 7 and IFRS 7**

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

**Lack of exchangeability - Amendments to IAS 21**

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the financial statements of the Company.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted, but will need to be disclosed.

## 5. MURABAHA PLACEMENTS

| | 31 December 2023 SR '000 | 31 December 2022 SR '000 |
|---|---|---|
| Murabaha placement | **2,558** | 3,719 |
| Less: included in current assets | **(2,558)** | (3,619) |
| Long-term | **-** | 100 |

Murabaha placements are primarily with investee entities, carry profit rate of 7.0% per annum (31 December 2022: 4.25% to 6.25% per annum) and are subject to 0.10% per annum (31 December 2022: 0.25% per annum) management fee.

## 6. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | 31 December 2023 SR'000 | 31 December 2022 SR'000 |
|---|---|---|
| Prepayments | **2,542** | 2,162 |
| Advances to suppliers | **2,677** | 1,789 |
| Accounts receivable, net of provision | **46** | 517 |
| Margin deposit (note a) | **-** | 380 |
| Other receivables | **1,515** | 1,591 |
| | **6,780** | 6,439 |

a) As at 31 December 2022, the Company has maintained a margin deposit of SR 0.38 million with a local bank in respect of a guarantees issued in favour of ZATCA.

## 7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent directors and key management personnel of the Company, and or Investee entities, controlled by or significantly influence the Company and or Investee Entities. The pricing and terms are approved by the management of the Company.

a) Significant transaction with investee entities during the year and balances at yearend are described below:

| Nature of transactions | Amount of transactions for the year ended | | Balances as at | |
|---|---|---|---|---|
| | 31 December 2023 SR'000 | 31 December 2022 SR'000 | 31 December 2023 SR'000 | 31 December 2022 SR'000 |
| **Investments at fair value through profit or loss** | | | **1,463,526** | 1,439,145 |
| Investments acquired during the year (note 8) | **--** | 331,224 | | |
| Investment disposed during the year (note 8) | **(161,759)** | (322,764) | | |
| Gain/ (loss) recorded on investments at fair value through profit or loss, net | **203,228** | 169,314 | | |
| Advances and expenses incurred on behalf of investee entities | **15,194** | 49,878 | **64,523** | 59,213 |
| Management, custody, subscription, performance fees and structure fee | **75,291** | 85,827 | **186,459** | 159,333 |
| | | | **250,982** | 218,546 |
| Murabaha placement during the year and their balances with the investee entities | **7,000** | 74,250 | | |
| Murabaha placements matured during the year with the investee entities | **(6,200)** | (223,950) | **900** | 100 |

b) The Company being the Asset Manager, incurs expenses on behalf of the investee entities in the normal course of business.

c) The Company has issued a corporate guarantee on behalf of a related party (note 26).

d) Key management personnel including members of the Board of Directors of the Company and key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Salaries and other short-term expenses | **18,864** | 18,657 |
| Post-employment benefits | **1,192** | 1,205 |
| | **20,056** | 19,862 |

## 8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company meets the definition of an "investment entity". Accordingly, its investments in investee entities are carried at their fair value through profit or loss as "investments at fair value through profit or loss".

The movement in the investments at fair value through profit or loss for the year ended 31 December is as follows:

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Opening balance | **1,439,273** | 1,261,665 |
| Purchased during the year | - | 331,289 |
| Dividends shares | | - |
| Sold during the year | **(161,759)** | (322,995) |
| Fair value gains | **203,228** | 169,314 |
| | **1,480,764** | 1,439,273 |
| Less: included in the current assets | **(150,120)** | (300,128) |
| Long term | **1,330,644** | 1,139,145 |

a) The details of the Company's holding in the investee entities are as follows:

| Name of Investee Entities | 31 December 2023<br>% | 31 December 2022<br>% |
|---|---|---|
| **Real Estate** | | |
| Alkhabeer Real Estate Opportunity Fund I - Investing in Land Development in Western Province, Kingdom of Saudi Arabia (KSA) | **38%** | 38% |
| Alkhabeer Real Estate Opportunity Fund II - Investing in Land Development in Western Province, KSA | **100%** | 100% |
| Alkhabeer Hospitality Fund I - Investing in Land Development in Western Province, KSA | **75%** | 75% |
| Alkhabeer Real Estate Residential Development Fund II - Investing in Land Development in Western Province, KSA | **8%** | 8% |
| Alkhabeer GCC Opportunity Company - Investing in income generating properties in Eastern Province, KSA | **0.05%** | 0.05% |
| **Private Equity** | | |
| **Industrial sector** | | |
| Alkhabeer Industrial Private Equity Company - III Ltd - Investing in Manufacturing facilities in United Arab Emirates (UAE) | - | 40% |
| AlKhabeer Saudi Private Equity Fund 1 - Investing in medical sector in Central Province, KSA | **100%** | 100% |
| AlKhabeer Saudi Private Equity Fund 2 - Investing in medical sector in Western Province, KSA | **12.3%** | 12.3% |
| AlKhabeer Industrial Private Equity Fund IV - Investing in manufacturing facilities in Eastern Province, KSA | **31.8%** | 20% |
| Alkhabeer Car Rental Private Equity Fund - Investing in car rental sector in KSA | **44.5%** | 92% |
| **Education Sector** | | |
| Alkhabeer Education Private Equity Fund I - Investing in Schools in Central Province, KSA | **0.10%** | 0.10% |
| Alkhabeer Education Private Equity Fund II - Investing in Schools in KSA and UAE | **84%** | 84% |
| Alkhabeer Education Private Equity Fund III - Investing in Schools in Central Province, KSA | **83%** | 83% |
| Alkhabeer Education Private Equity Fund IV - Investing in Schools in Western Province, KSA | **98%** | 98% |
| Alkhabeer Education Private Equity Fund V - Investing in Schools in Central Province, KSA | **0.06%** | 0.06% |
| Alkhabeer Education Private Equity Fund VI - Investing in Schools in Central Province, KSA | **100%** | 100% |
| Alkhabeer Education Private Equity Fund VII - Investing in Schools in Western and Central Province, KSA | **11.63%** | 11.63% |

b) Breakdown of investments by sector is as follows:

| | **31 December 2023 SR '000** | 31 December 2022 SR '000 |
|---|---|---|
| Investment in: | | |
| Real Estate | **255,006** | 281,626 |
| Private Equity | **1,208,520** | 1,157,519 |
| Public Equity | **17,238** | 128 |
| | **1,480,764** | 1,439,273 |

## 9. RIGHT OF USE ASSETS

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

| | **31 December 2023 SR '000** | 31 December 2022 SR '000 |
|---|---|---|
| Opening asset balance | **4,660** | 5,436 |
| Less: depreciation for the year | **(776)** | (776) |
| **As at 31 December** | **3,884** | 4,660 |

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

| | **31 December 2023 SR '000** | 31 December 2022 SR '000 |
|---|---|---|
| Opening lease liability | **5,337** | 5,989 |
| Payment of principal portion of lease liabilities during the year, net of profit cost | **(787)** | (652) |
| **Closing lease liability** | **4,550** | 5,337 |
| Included in current liabilities | **(825)** | (787) |
| Long term portion of lease liability | **3,725** | 4,550 |

The following are the amounts recognized in profit or loss:

| | **31 December 2023 SR '000** | 31 December 2022 SR '000 |
|---|---|---|
| Depreciation expense of right-of-use assets | **776** | 776 |
| Finance cost on leased liabilities | **213** | 249 |
| **Total amount recognized in profit or loss** | **989** | 1,025 |

## 10. PROPERTY AND EQUIPMENT

| | **Land** | **Building** | **Leasehold improvements** | **Office and computer equipment** | **Furniture and fixtures** | **Vehicles** | **Capital work in progress (Note a)** | 31 December 2023 |
|---|---|---|---|---|---|---|---|---|
| | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 |
| **Cost** | | | | | | | | |
| At the beginning of the year | 6,966 | 43,569 | 10,961 | 21,107 | 2,223 | 396 | 2,037 | 87,259 |
| Additions | - | 130 | - | 297 | 58 | 509 | - | 994 |
| Transfer | - | - | - | 649 | - | - | (649) | - |
| Disposals | - | (2,530) | (1,985) | (9,103) | (5) | - | - | (13,623) |
| At the end of the year | 6,966 | 41,169 | 8,976 | 12,950 | 2,276 | 905 | 1,388 | 74,630 |
| **Accumulated depreciation** | | | | | | | | |
| At the beginning of the year | - | 12,460 | 6,149 | 20,108 | 1,667 | 396 | - | 40,780 |
| Depreciation (note 21) | - | 1,648 | 807 | 648 | 236 | 65 | - | 3,404 |
| Relating to disposals | - | (2,530) | (1,985) | (9,101) | (5) | | | (13,621) |
| At the end of the year | - | 11,578 | 4,971 | 11,655 | 1,898 | 461 | - | 30,563 |
| **Net book amounts** | | | | | | | | |
| **At 31 December 2023** | 6,966 | 29,591 | 4,005 | 1,295 | 378 | 444 | 1,388 | 44,067 |

| | **Land** | **Building** | **Leasehold improvements** | **Office and computer equipment** | **Furniture and fixtures** | **Vehicles** | **Capital work in progress** | 31 December 2022 |
|---|---|---|---|---|---|---|---|---|
| | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 | SR '000 |
| **Cost** | | | | | | | | |
| At the beginning of the year | 6,966 | 43,070 | 10,961 | 20,531 | 2,107 | 396 | 1,668 | 85,699 |
| Additions | - | - | - | 314 | 116 | - | 1,130 | 1,560 |
| Transfer | - | 499 | - | 262 | - | - | (761) | - |
| At the end of the year | 6,966 | 43,569 | 10,961 | 21,107 | 2,223 | 396 | 2,037 | 87,259 |
| **Accumulated depreciation** | | | | | | | | |
| At the beginning of the year | - | 10,830 | 5,342 | 19,463 | 1,443 | 390 | - | 37,468 |
| Depreciation (note 21) | - | 1,630 | 807 | 645 | 224 | 6 | - | 3,312 |
| At the end of the year | | 12,460 | 6,149 | 20,108 | 1,667 | 396 | - | 40,780 |
| **Net book amounts** | | | | | | | | |
| **At 31 December 2022** | 6,966 | 31,109 | 4,812 | 999 | 556 | - | 2,037 | 48,231 |

## 11. ACCOUNT PAYABLES, ACCRUED AND OTHER LIABILITIES

| | **31 December 2023**<br>**SR '000** | 31 December 2022<br>SR '000 |
|---|---|---|
| Payable against investment purchased (see note below) | **1,512** | 86,245 |
| Accounts payable | **15,589** | 13,329 |
| Remuneration payable to employees | **39,442** | 30,854 |
| Accrued expenses | **38,912** | 30,877 |
| Other provisions | **11,205** | 4,075 |
| Zakat and income tax (note 15) | **12,478** | 9,853 |
| Dividend payable | **12,864** | 6,095 |
| Other payables | **7,607** | 5,768 |
| Total current amount | **139,609** | 187,096 |
| **Non-current portion** | | |
| Other provisions | **61,720** | 63,925 |
| Total | **201,329** | 251,021 |

The amount represents the outstanding payable against purchase of investments in the investee entities during the year ended 31 December 2022 (see note 8).

## 12. MURABAHA CONTRACTS

This represent commodity Murabaha contracts executed with investors through Discretionary Portfolio Managers (DPMs). The Murabaha contracts are unsecured, carry profit rate ranging from 5.25% to 7.50% per annum (31 December 2022: 4% to 7.50% per annum) and are subject to nil to 0.5% per annum (31 December 2022: nil to 0.5% per annum) management fee.

| | **31 December 2023**<br>**SR '000** | 31 December 2022<br>SR '000 |
|---|---|---|
| Murabaha contracts | **334,279** | 341,268 |
| Less: included in current liabilities | **(211,479)** | (231,368) |
| Long-term | **122,800** | 109,900 |

## 13. SHARIA COMPLIANT FINANCING

During 2022, the Company obtained a sharia compliant financing from a local bank with approved limit of SR 350 million. As at 31 December 2023, the Company has an undrawn amount of SR 24.1 million (2022: SR 112.6 million). The facility is repayable semi-annually over a period of seven years starting from September 2023. The financing carry agreed profit margin and is secured against "investments property" (see note 28) and certain "investments at fair value through profit or loss" and all returns generated from respective investments.

| | **31 December 2023**<br>**SR '000** | 31 December 2022<br>SR '000 |
|---|---|---|
| Sharia compliant financing | **308,829** | 237,400 |
| Less: included in current liabilities | **(37,604)** | (13,696) |
| Long-term included in non-current liabilities | **271,225** | 223,704 |



## 14. EMPLOYEES' BENEFITS LIABILITIES

Changes in the present value of defined benefit obligation are as follows:

| | **2023**<br>**SR '000** | 2022<br>SR '000 |
|---|---|---|
| Balance at the beginning of the year | **20,184** | 19,443 |
| Current service cost | **2,565** | 2,451 |
| Profit cost | **912** | 541 |
| Benefits paid | **(2,419)** | (1,646) |
| Actuarial loss/(gain), net | **88** | (605) |
| Balance at the end of the year | **21,330** | 20,184 |

Principal assumptions used in determining employees' benefits liabilities are as shown below:

| | **31 December 2023**<br>**SR '000** | 31 December 2022<br>SR '000 |
|---|---|---|
| Discount rate | **%4.75** | %4.50 |
| Salary increase rate | **%2.75** | %2.75 |
| Staff withdrawal rate | **%8.00** | %8.00 |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employees' benefits liabilities by the amounts shown below:

| | **31 ديسمبر 2023م**<br>**(ريال سعودي (بالالاف)** | 31 ديسمبر 2022م<br>(ريال سعودي(بالالاف) |
|---|---|---|
| Discount rate | | |
| +1% increase | **(1,233)** | (1,173) |
| -1% decrease | **1,379** | 1,496 |
| Future salary growth | | |
| +1% increase | **1,393** | 1,507 |
| -1% decrease | **(1,268)** | (1,205) |

Significant actuarial assumptions for the determination of the employees' benefits liabilities are discount rate, expected salary increase and mortality. The sensitivity analysis has 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.

## 15. ZAKAT AND INCOME TAX

Zakat provision was estimated as follows:

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Equity | **993,763** | 947,098 |
| Other adjustments | **399,692** | 18,877 |
| Book value of long-term assets | **(1,672,590)** | (1,479,872) |
| Saudi Shareholders' share of adjusted income for the year (see note below) | **(279,135)**<br>**(82,432)** | (513,897)<br>100,798 |
| Adjusted zakat base | **(361,567)** | (413,099) |

During 2023, ZATCA issued a guide for the purpose of clarifying some of the treatments related to the application of the regulatory provisions in effect in relation to calculation of Zakat for investors in investment funds. The guide aimed to regulate the mechanism for calculating zakat for investors in investment funds in order to qualify zakat and taxpayers subject to the provisions of the regulation to include their investment units owned in these funds as deductions from the components of the zakat base in their zakat declarations, if the conditions for the deduction are met. ZATCA requested from all investment funds to register with ZATCA and to submit the information only return annually.

Accordingly, the Company has deducted the investments from the zakat base for 2023 and the zakat charge for the year ended 31 December 2023 represents the Zakat on the Company's units in the investment funds.

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with relevant fiscal regulations.

### Movement in provision during the year

The movement in zakat provision for the year was as follows:

| | 31 December 2023<br>SR '000 | 31 December 2022<br>SR '000 |
|---|---|---|
| Balance at the beginning of the year | **9,853** | 7,932 |
| Charge for the current year | **5,636** | 4,020 |
| Paid during the year | **(3,011)** | (2,099) |
| Balance at the end of the year (see note 11) | **12,478** | 9,853 |

### Income tax

Income tax charges are based on the adjusted taxable income calculated on the portion of equity owned by the foreign shareholder. The significant tax adjustments made to accounting net income relate to depreciation, employees' termination benefits and provision against doubtful receivables. Management believes that impact of deferred tax, if any, is not material to the financial statements.

| | 31 December 2023<br>SR '000 | Balance at the end of the year (see note 11) |
|---|---|---|
| Balance at the beginning of the year | **-** | 196 |
| Charge for the year | | - |
| Paid during the year | **-** | (196) |
| Balance at the end of the year (see note 11) | **-** | - |

### Status of assessments

ZATCA raised an assessment with an additional liability amounting to SR 9.36 million for the year ended 31 December 2010. The Company filed an objection against the ZATCA assessment. ZATCA referred the objection to the General Secretariat of Tax Committees (GSTC), and the Second Circuit for Adjudication of Income Tax Violations and Disputes reduced the additional liability to SR 9.18 million. The decision was appealed before the Appeal Committee, and the Company is waiting for a hearing and discussion session to be scheduled.

The ZATCA has issued an assessment for the year ended 31 December 2017 and raised an additional tax and Zakat liability amounting to SR 35.8 million. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment. The Company also registered the case with General Secretariat of Tax Committees (GSTC) and provided comments on the ZATCA's response and escalated its objection to the Appeal Committee. During 2023, the Company reached a settlement agreement with ZATCA to settle 2017 assessment against a total payment of SR 15.35 million payable in 12 installments over a period of 12 months. During 2023, the Company paid an advance amount of SR 3.06 million, which represents an advance of 20% of the total Zakat liability.

The ZATCA has issued an assessment for the year ended 31 December 2015 and raised an additional tax and Zakat liability amounting to SR 33.48 million. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment. The Company registered the case with GSTC and provided comments on the ZATCA's response. The GSTC accepted Company's objection on withholding tax items and applied the delay fine of 1% and rejected the other items. Company has escalated its objection to the Appeal Committee during 2022. The Appeal Committee accepted the Company's objection on several expenses, the difference in retained earnings, foreign investments and investment in a subsidiary, and rejected the other items. The decision reduced the additional zakat and tax liability to SR 23.40 million. The Company submitted a petition to reconsider the decision and currently waiting for a decision by the Appeals Committee.

During the year ended 31 December 2022, ZATCA has issued an assessment for the year ended 31 December 2016 and 2018 and raised an additional tax and Zakat liability amounting to SR 28.8 and SR 38.6 million, respectively. The additional liability is principally on account of disallowed investments. The Company filed an objection against the ZATCA assessment and waiting for reply. During the year, ZATCA rejected Company's objection and hence, the objection was escalated to the GSTC.

Pursuant to the clarification issued by ZATCA, the Company's management expects a favourable decision regarding the above appeals. The Company has filed its tax and zakat returns up to the financial year ended 31 December 2022 with ZATCA and obtained restricted Zakat certificate valid until 30 April 2024.

## 16. DIVIDEND

During 2023, the Shareholders of the Company in their Annual General meeting held on 24 May 2023 approved final cash dividend of 5% of paid up capital amounting to SR 44.7 million for the year ended 31 December 2022.

During 2022, the Shareholders of the Company in their Annual General meeting held on 25 April 2022 approved final cash dividend of 4.09% of paid up capital amounting to SR 36.6 million for the year ended 31 December 2021.

## 17. SHARE CAPITAL

The share capital of the Company, amounting to SR 894,523,230 is divided into 89,452,322 shares of SR 10 each (31 December 2022: 89,452,322 shares of SR 10 each).

The Company is owned 100% by Saudi shareholders and GCC shareholders (31 December 2022: same).

## 18. STATUTORY RESERVE

In accordance with the By-Laws of the Company, the Company must set aside 10% of its net income (after adjusting the accumulated losses) until it has built up a reserve equal to 30% of the capital. This reserve is not available for distribution.

## 19. FEE INCOME

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Management, custody subscription, and commission fees | **73,018** | 86,299 |
| Performance and structure fee | **3,189** | 286 |
| Advisory fees | **394** | - |
| | **76,601** | 86,585 |

## 20. SELLING AND MARKETING EXPENSES

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Salaries and benefits | **4,474** | 4,169 |
| Other | **5,492** | 5,477 |
| | **9,966** | 9,646 |

## 21. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Employees' salaries and related expenses | **81,645** | 74,085 |
| Due diligence, legal and professional fees | **21,245** | 22,434 |
| Information technology expense, software and licenses | **8,376** | 4,906 |
| Depreciation (note 10) | **3,404** | 3,312 |
| Board of director's expenses | **2,880** | 2,757 |
| Lead manager and receiving fees | **-** | 2,534 |
| Business travel expense | **2,822** | 2,090 |
| Maintenance, hospitality and cleaning | **1,387** | 1,646 |
| Depreciation on right of use assets (note 9) | **776** | 776 |
| Utilities | **902** | 596 |
| Other | **3,030** | 2,852 |
| | **126,467** | 117,988 |



## 22. MURABAHA AND FINANCING EXPENSES

| | 2023<br>SR '000 | 2022<br>SR '000 |
|---|---|---|
| Finance cost on Murabaha Contracts | **23,729** | 35,616 |
| Finance cost and amortisation of upfront fee on Shariah Compliant financing | **21,697** | 4,496 |
| | **45,426** | 40,112 |

## 23. RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposure relating to his or her responsibilities. These limits reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept. The Company is exposed to market risk, credit risk and liquidity risk.

### Market risk

Market risk is the risk that the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in market prices, rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Company's market risk comprises of three types of risks: Profit rate risk, currency risk and equity price risk.

### Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of markets profit rates on the fair value of financial assets and liabilities as well as reported income/losses due to changes in future cash flow. The Company is exposed to profit rate cash flow risk arising from the variable rate Shariah compliant borrowings that expose the Company to cash flow profit rate risk. The sensitivity of the Company's profit before tax to a reasonably possible change in profit rates by 100 basis points on shariah compliant financing is SR 3.09 million (2022: SR 2.37 million). The Company's manages its rate risk on a dynamic basis keeping in view overall rate bearing assets and liabilities and the Company requirements.

The Company's Murabaha placements are of long and short term nature carrying fixed rate. As of the statement of financial position date, a change of 1% in the applicable profit rates for Murabaha placements would result in SR 0.03 million (2022: SR 0.04 million) lower/higher fair value gain/loss.

The Company's Murabaha contracts are of long term nature carrying fixed rate. However, certain Murabaha contracts, though carry fixed rate, were of short term nature and had a history of frequent rollover and could expose the Company to cash flow rate risk. As of the statement of financial position date, a change of 1% in the applicable profit rates would result in SR 3.34 million (2022: SR 3.41 million) lower/higher profit for the year.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company invests in various special purpose entities and other investments that are denominated in currencies other than the Saudi Riyal which are pegged to the Saudi Riyal accordingly the Company is not exposed to significant foreign exchange risk.

### Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities. The Company is not exposed in equity price risk as none of the investment are quoted.

### 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 Company is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The Company is exposed to credit risk on its cash at banks, Murabaha placements, accounts receivable and due from related parties.

An allowance for expected credit losses is maintained which in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

At each reporting date, all cash at banks are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the cash at banks. Therefore, the probability of default based on forward looking factors and any loss given default are considered negligible.

Murabaha placement are unsecured and receivable from related parties. As of the reporting date, there are no past due.

Due from related parties are unsecured, yield free and have no fixed repayment. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired.

In calculating the expected credit loss allowance for accounts receivable and due from related parties, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

The Company's maximum undiscounted exposure to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| **Financial assets** | **Exposure at default** | **Expected credit loss** | Exposure at default | Expected credit loss |
| | **SR'000** | **SR'000** | SR'000 | SR'000 |
| Murabaha placements (note 5) | **2,558** | **-** | 3,719 | - |
| Due from related parties (note below) | **250,982** | **-** | 218,546 | - |
| Accounts and other receivables | **1,126** | **1,080** | 1,597 | 1,080 |

At the reporting date, the ageing of financial assets is as follows:

| | 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Current | < 1 Year | 1-2 Years | 2-3 Years | > 3 Years | Total |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| Murabaha placements (note 5) | | | | | - | 2,558 |
| Due from related parties (note below) | 62,991 | 17,414 | 55,302 | 36,590 | 78,685 | 250,982 |
| Accounts and other receivables | | | | - | 1,080 | 1,126 |

| | 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Current | < 1 Year | 1-2 Years | 2-3 Years | > 3 Years | Total |
| | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 | SR'000 |
| Murabaha placements (note 5) | 3,719 | - | - | - | - | 3,719 |
| Due from related parties (note below) | 62,594 | 32,141 | 42,189 | 22,402 | 59,220 | 218,546 |
| Accounts and other receivables | 517 | - | - | - | 1,080 | 1,597 |

In its capacity as asset manager, the Company has first right to recover the balance due from investee entities under management in respect of outstanding fees and subsequently Murabaha placements. As at the date of financial statements, underlying entities have positive net assets value and management estimated that expected credit losses, if any, would not be material.

### Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities or redeem its shares earlier than expected.

The efficient management of liquidity risk begins with the development of written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting.

The Company's financial liabilities are payable within 12 months from the statement of financial position date except certain long-term murabaha contracts and lease liabilities which have maturity of more than 12 months from the statement of financial position date.

## 24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Company's financial assets consist of cash and cash equivalents, accounts receivable, Murabaha placements, investments at fair value through profit or loss, due from related parties and financial liabilities consist of accounts payable, shariah compliant financing and Murabaha contracts.

The fair values of investments in investee entities is obtained from net asset values of those entities or recent sales transactions. In real estate entities, the fair value of underlying real estate investments is based on the valuation provided by independent valuers.

As at the date of statement of financial position, all financial assets and financial liabilities falls under level 3 of fair value hierarchy. The fair values of financial instruments are not materially different from their carrying values (31 December 2022: same). During the year, there was no movement between fair value hierarchy levels.

## 25. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Company holds assets on behalf of its customers. As the Company acts in a fiduciary capacity, these assets are not included in the statement of financial position. As at 31 December 2023, the Company holds assets under management amounting to SR 6,473 million (31 December 2022: SR 6,644 million) on behalf of, and for the beneficial interest of, its customers.

Legal title of the underlying assets of the Company's investee entities are held by the custodian through certain special purpose vehicles. Since, the Company has ownership interest in these special purpose vehicles as trustee, the financial information and related share of results of these entities are not included in these financial statements. In the ordinary course of business, the Company also holds certain banks accounts on behalf of the investee entities.

## 26. CONTINGENCIES AND CAPITAL COMMITMENTS

a) Certain legal claims have been filed by third parties against the Company in the normal course of business. Based on the legal advice from the independent legal advisor, the Company's management expects a favourable outcome of these claims and no provision is required to be made in these financial statements unless already recorded.

b) As at 31 December 2022, the Company has maintained a margin deposit of SR 0.38 million with a local bank in respect of a guarantee issued in favour of ZATCA.

c) The Board of Directors has authorised future capital expenditure, amounting to SR 5.2 million (31 December 2022: SR 4.5 million) in connection with leasehold improvements and construction under progress.

d) The Company issued a corporate guarantee on behalf of a related party in 2019, and it has an outstanding amount of SR 84.2 million (31 December 2022: SR 93.2 million). The related party simultaneously issued a back-to-back corporate guarantee to the Company. This amount is settled and reduced on semi-annual basis and is due for expiration by the respective related party on 8 May 2027.

## 27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Company's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

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

The CMA issued amendments to the Prudential Rules that came into effect on 1 April 2023 (corresponding to 10 Ramadhan 1444H). The requirements for Capital Adequacy as per the latest amendment differ from the prior requirements. Accordingly, the Company has calculated its minimum capital required and capital adequacy ratios for the year ended 2022 and the year ended 2023 as follows:

| | 31 December 2023<br>SR '000 | | 31 2022م ديسمبر<br>(ريال سعودي(بالآلاف |
|---|---|---|---|
| **Capital base** | | | |
| Tier-1 capital | 1,096,312 | | 1,038,267 |
| Tier-2 capital | - | | - |
| Total capital base | 1,096,312 | | 1,038,267 |
| | | | |
| **Minimum capital requirement** | | | |
| Credit risk | 7,362,599 | | 823,075 |
| Market risk | 274 | | 179 |
| Operational risk | 441,074 | | 35,286 |
| Concentration risk | 1,400,690 | | - |
| Total minimum capital required | 9,204,637 | | 858,540 |
| | | | |
| **Capital Adequacy Ratio** | | | |
| Tier 1 ratio | %11,91 | Total capital ratio (time) | 1.21 |
| Surplus in capital | 359,941 | | 179,727 |

## 28. INVESTMENT PROPERTY

Investment property comprised of land and cost improvement amounting to SR 147.5 million (2022: Same).

In previous years, the Company received property as a result of distribution of the assets by an investee entity. The property is carried at cost of SR 147,538 thousand. The fair value of the property valued on 31 December 2023 was SR 153,940 thousand (31 December 2022: SR 149,112 thousand). The property is registered in the name of "Alfuras Almustadama Real Estate Company" which has provided an undertaking that property is held by it on behalf of the Company.

The fair value of the Company's investment properties has been arrived on the basis of the valuation exercise carried out by management's independent external consultant namely "Abaad for Real Estate Valuations" (2022: "Abaad for Real Estate Valuations"), who holds recognised relevant professional qualification and have recent experience in the location of the property owned by the Company and is accredited by Taqeem (Saudi Authority for Accredited Valuers). The valuation methodology conforms to International Valuation Standards. The fair value of the land was determined based on the market comparable approach that reflects recent transaction or market prices for similar properties. Furthermore, the cost improvement represents the actual cost incurred on the site.

Under the comparable market approach, the Valuation Experts obtained land prices in the neighbouring districts and adjusted them for difference in specification of the Company's properties. Such values are based on significant unobservable inputs and the fair value measurement was classified as Level 3.

At the reporting date, the investments property amounting to SR 147.5 million (2022: SR 147.5 million) is pledged against Sharia Compliant borrowings (note 13).

As at the reporting date, a 5% change in fair value of the comparable would have increase/decrease the fair value of the investment property by SR 5 million (2022: SR 5 million).

## 29. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue outstanding during the year (note 17).

The diluted EPS is same as the basic EPS as the Company does not have any dilutive instruments in issue.

## 30. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the current year presentation. However, there was no impact of such reclassifications on the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows of the Company.

## 31. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 21 March 2024 (corresponding to 11 Ramadan 1445).