

**IMPACT FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)**

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

FOR THE YEAR ENDED 31 DECEMBER 2022

Impact Financial Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2022

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF IMPACT FINANCIAL COMPANY
(A Saudi Closed Joint Stock Company)**

Opinion

We have audited the accompanying financial statements of Impact Financial Company (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the 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 SOCPA and the provisions of Companies' Law and the Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is 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 (continued)
TO THE SHAREHOLDERS OF IMPACT FINANCIAL COMPANY
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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 Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid
Certified Public Accountant
Registration No. 438



Riyadh: 05 Ramadan 1444
(27 March 2023)

Impact Financial Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	26,702,970	3,731,499
Prepayments and other receivables	5	340,455	431,717
Due from related parties	6	10,922,226	103,650,808
TOTAL CURRENT ASSETS		37,965,651	107,814,024
NON-CURRENT ASSETS			
Property and equipment	8	2,714,352	1,022,819
Right-of-use assets	9	4,182,970	4,861,322
Intangible assets	10	-	4,414
TOTAL NON-CURRENT ASSETS		6,897,322	5,888,555
TOTAL ASSETS		44,862,973	113,702,579
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Lease liabilities	9	592,078	427,854
Accrued expenses and other liabilities	11	3,436,357	15,623,018
Zakat payable	13	893,783	2,307,014
TOTAL CURRENT LIABILITIES		4,922,218	18,357,886
NON-CURRENT LIABILITY			
Employee terminal benefit obligations	14	557,935	346,454
Lease liabilities	9	3,958,593	4,366,963
TOTAL LIABILITIES		9,438,746	23,071,303
EQUITY			
Share capital	15	5,000,000	5,000,000
Statutory reserve	16	1,500,000	1,500,000
Retained earnings		28,924,227	84,131,276
TOTAL EQUITY		35,424,227	90,631,276
TOTAL LIABILITIES AND EQUITY		44,862,973	113,702,579

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

Impact Financial Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 SR	2021 SR
REVENUE			
Asset management & monitoring fees	7	40,388,322	16,452,983
Arranging fees	7	12,817,250	1,000,000
Structuring fees	7	1,828,757	780,000
Carried Interest fees	7	1,033,602	80,967,018
TOTAL REVENUE		56,067,931	99,200,001
OPERATING EXPENSES			
Salaries and employee-related expenses	18	(29,815,773)	(8,090,574)
Other operating expenses	12	(1,652,313)	(817,409)
Professional and legal expenses		(1,230,872)	(552,905)
Depreciation and amortisation	8, 9, 10	(1,172,427)	(675,832)
TOTAL OPERATING EXPENSES		(33,871,385)	(10,136,720)
INCOME FROM OPERATIONS		22,196,546	89,063,281
Other income, net		20,063	1,240
Finance charges	9	(91,854)	(49,387)
INCOME FOR THE YEAR BEFORE ZAKAT		22,124,755	89,015,134
Zakat	13	(893,783)	(2,307,014)
NET INCOME FOR THE YEAR		21,230,972	86,708,120
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement loss on employee terminal benefit	14	11,979	(72,079)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,242,951	86,636,041

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

Impact Financial Company
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>(Accumulated loss) retained earnings SR</i>	<i>Total SR</i>
Balance as at 1 January 2021	5,000,000	-	(1,004,765)	3,995,235
Net income for the year	-	-	86,708,120	86,708,120
Other comprehensive loss for the year	-	-	(72,079)	(72,079)
Total comprehensive income for the year	-	-	86,636,041	86,636,041
Transfer to statutory reserve		1,500,000	(1,500,000)	-
Balance as at 31 December 2021	5,000,000	1,500,000	84,131,276	90,631,276
Net income for the year	-	-	21,230,972	21,230,972
Other comprehensive income for the year	-	-	11,979	11,979
Total comprehensive income for the year	-	-	21,242,951	21,242,951
Dividends (Note 17)	-	-	(76,450,000)	(76,450,000)
Balance as at 31 December 2022	5,000,000	1,500,000	28,924,227	35,424,227

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

Impact Financial Company
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STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	<i>Notes</i>	2022 SR	2021 SR
Cash flows from operating activities			
Income for the year before zakat		22,124,755	89,015,134
Adjustments to reconcile income before zakat to net cash flows:			
Depreciation of property and equipment	8	489,661	141,701
Depreciation of right-of-use assets	9	678,352	531,925
Amortisation of intangible assets	10	4,414	2,206
Employee terminal benefit obligations	14	153,670	186,760
Finance charges		91,854	49,387
		23,542,706	89,927,113
Working capital changes:			
Decrease (increase) in prepayments and other receivables		91,262	(222,951)
Decrease (increase) in due from related parties		92,728,581	(103,415,044)
(Decrease) increase in accrued expenses and other liabilities		(12,186,661)	14,777,758
Cash flows from operations		104,175,888	1,066,876
Zakat paid	13	(2,307,014)	(100,595)
Employee terminal benefits paid	14	(44,598)	(63,372)
Transfer to Employee terminal benefits	14	114,388	-
Net cash flows from operating activities		101,938,664	902,909
Cash flows from investing activities			
Purchase of property and equipment	8	(2,185,178)	(874,834)
Disposal of property and equipment		3,985	-
Addition to intangible assets		-	(3,120)
Net cash flows used in investing activities		(2,181,193)	(877,954)
Cash flows from financing activities			
Dividends paid		(76,450,000)	-
Payment of principal portion of lease liabilities	9	(336,000)	(601,466)
Net cash flows used in financing activities		(76,786,000)	(601,466)
Net increase (decrease) in cash and cash equivalents		22,971,471	(576,511)
Cash and cash equivalents at the beginning of the year		3,731,499	4,308,010
Cash and cash equivalents at the end of the year	4	26,702,970	3,731,499
Non-cash financing activities			
Remeasurement loss on employee terminal benefit		11,979	(72,079)

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

Impact Financial Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1 CORPORATE INFORMATION

Impact Financial Company (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010519508 dated 25 Jumada Al-Awwal 1440H (corresponding to 31 January 2019) and under license number 18196-32 issued by the Capital Market Authority ("CMA") in accordance with resolution number 18/7828/6/1/S dated 25 Rabi' Al-Awwal 1440H (corresponding to 3 December 2018).

The principal activities of the Company are to provide investments management and arranging services.

The registered address of the Company is P.O. Box 4054, Riyadh 12711, Kingdom of Saudi Arabia.

These financial statements were authorised for issue by the Board of Directors on 05 Ramadan 1444H (corresponding to 27 March 2023).

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared on a historical cost basis of accounting, unless stated otherwise in the below accounting policies. The financial statements are presented in Saudi Riyals ("SR") and all values are rounded to the nearest currency unit, except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the summary of significant accounting policies applied by the Company in preparing these financial statements:

2.2.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current 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

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 assets and liabilities as non-current.

Impact Financial Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The 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. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the 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.

2.2.3 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and at banks and short-term highly liquid deposits, if any, with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.2.4 Financial instruments – initial recognition and subsequent measurement

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.

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 trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, 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. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

Impact Financial Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Financial instruments – initial recognition and subsequent measurement (continued)

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 interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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 four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes financial assets held at amortised cost and amounts due from related parties.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in 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.

The Company has no debt instruments at fair value through OCI.

Financial assets at fair value through profit or loss

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 profit or loss. The Company has no financial assets classified under this category.

Impact Financial Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition

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 passthrough 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.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accrued expenses and other liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

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, if any.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9, if any. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in 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.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

(iii) 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.

2.2.5 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Impact Financial Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.5 Property and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

• Office equipment	5 years	• Furniture and fixtures	5 years
• Computer equipment	3 years	• Leasehold improvements	5 years

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

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

2.2.6 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.

(i) 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). 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 the lease term and the estimated useful lives of the assets, as follows:

- Office premises 8 years

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.

(ii) 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 in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Intangible assets

Purchased trademark is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Purchased trademark is amortised over the useful economic life of five years and assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

2.2.8 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, for example, under an insurance contract, 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 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.

2.2.9 Employee benefit obligations

The level of benefit provided is based on the length of service and earnings of the person entitled and computed in accordance with the rules stated under the Saudi Arabian Labor Law. The liability for employee terminal benefit obligations, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuations being conducted at end of annual reporting periods. The related liability recognised in the statement of financial position is the present value of employee benefit obligations at the end of the reporting period.

The discount rate applied in arriving at the present value of employee benefit obligations represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

Employee benefit obligations costs are categorised as follows:

- i) current service cost (increase in the present value of employee benefit obligations resulting from employee service in the current period)
- ii) interest expense (calculated by applying the discount rate at the beginning of the period to employee benefit obligations); and
- iii) remeasurement

Current service cost and the interest expense arising on employee benefit obligations are included in the same line items in profit or loss as employee-related costs.

Remeasurement, comprising actuarial gains and losses, is recognised in full in the period in which they occur, in OCI without recycling to the profit or loss in subsequent periods. Amounts recognised in OCI are recognised immediately in retained earnings.

Past service costs are recognised in profit or loss on the earlier of:

- i) The date of the plan amendment or curtailment, and
- ii) The date that the Company recognises related restructuring costs

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.10 Revenue from contract with customers

The Company is in the business of providing asset management services. Revenue from contracts with customers is recognised when rendering of the services is provided to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for these services.

Asset management fees are recognised based on a fixed percentage of assets under management (“asset-based”), or a percentage of capital contributions committed subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company’s efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised. Asset management fees is recognised on an accrual basis against rendering of asset management services that the Company is providing on an on-going basis.

Carried interest fee income is a 20% percent of realised gains of the related funds under management, after the exit and liquidation of each related investment from the fund’s investments.

Arranging fee income is recognised when the services are rendered under the applicable service contracts. There are no multiple performance obligations, and no corresponding asset or liability is recorded against the fulfillment of the obligation.

2.2.11 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, tax and Customs Authority (“ZATCA”). Zakat provision is charged to profit or loss. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia under Saudi Arabian Income Tax Law.

2.2.12 Foreign currencies

(i) Functional and presentation currency

The Company’s financial statements are presented in SR, which is also the Company’s functional currency.

(ii) Transactions and balances

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

2.2.15 Standards and amendments to existing standards effective 1 January 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have a material effect on the financial statements of the Company.

2.2.16 New standards, amendments and interpretations effective after 1 January 2023 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

3 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material 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 the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Valuation of employee benefit obligations

The cost of the employee benefit obligations 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, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Life expectancy is not considered a principal actuarial assumption in measuring employee benefit obligations provision and therefore, possible changes in life expectancy are not expected to have a significant impact on the level of obligation, especially since only a few employees are assumed to serve until the retirement age. Moreover, changes in life expectancy will affect the estimates related to those employees only if life expectancy becomes less than retirement age and, in such cases, the impact is not expected to be significant.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

4 CASH AND CASH EQUIVALENTS

	2022 SR	2021 SR
Cash at bank	26,701,752	3,727,328
Cash in hand	1,218	4,171
	<u>26,702,970</u>	<u>3,731,499</u>

5 PREPAYMENTS AND OTHER RECEIVABLES

	2022 SR	2021 SR
Prepaid expenses	340,455	173,957
Trade Receivable	-	138,000
Other Receivables	-	119,760
	<u>340,455</u>	<u>431,717</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

6 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent Funds managed by the company, shareholders, directors, key management personnel of the Company, and entities controlled or significantly influenced by such parties. The Company is controlled by its shareholders. No single shareholders can direct the activities of the Company without cooperation of other shareholders.

6.1 Related party transactions

The following transactions were carried out with the related parties during the year ended 31 December:

<i>Related party</i>	<i>Nature of relationship</i>
Impact Private Equity Fund	Fund under management
Impact Growth Fund	
Impact Seed Fund	
VC InsurTech Fund	
Fintech Fund	
VC in Electronic Stores Sector Fund	
VC in Electronic Services Sector Fund	
VC E-Commerce, and Online sales sector Fund	
SPV-A	
Impact Fund Third version	
VC Emerging Technologies Fund	

<i>Related party</i>	<i>Nature of transactions</i>	2022 SR	2021 SR
Funds under management	Assets management and monitoring fees	40,208,322	16,452,983
	Structuring fees	1,828,757	780,000
	Carried interest fees	1,033,602	80,967,018
	Expenses paid on behalf	697,081	48,812

The Company is responsible for the overall management of its Funds under management. The Company charges management fee at the rate of 1% based on the assets under management ("asset-based") or 2% of capital contributions committed subject to applicable terms and conditions, during the year total fees were as follows:

Total fee income from **Impact Private Equity Fund** for the year ended 31 December 2022 amounted to SR 31,920,822 (31 December 2021: SR 11,490,749), exclusive of value-added tax, with SR 9,177,236 in outstanding receivables due from the Fund as at 31 December 2022 (31 December 2021: SR 100,940,642).

Total fee income from **Impact Seed Fund** for the year ended 31 December 2022 amounted to SR 3,033,602 (31 December 2021: SR 1,985,600), exclusive of value-added tax, with SR 191,667 in outstanding receivables due from the Fund as at 31 December 2022 (31 December 2021: SR 41,462).

Total fee income from **Impact Growth Fund** for the year ended 31 December 2022 amounted to SR 4,882,400 (31 December 2021: 2,863,967), exclusive of value-added tax, with SR (Nil.) in outstanding receivables due from the Fund as at 31 December 2022 (31 December 2021: 2,661,354).

The Company charged carried interest fee at the rate of 20% on the realised gains from the sale of investments of related assets under management.

For **Impact Private Equity Fund** total carried interest fee for the year ended 31 December 2022 amounted to SR Nil. (31 December 2021: 76,626,223), exclusive of value-added tax amounted SR Nil. (31 December 2021: 11,493,933)

For **Impact Seed Fund** total carried interest fee for the year ended 31 December 2022 amounted to SR 1,033,602 (31 December 2021: 4,340,795), exclusive of value-added tax amounted SR 155,040. (31 December 2021: 651,119)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

6.2 Key management compensation

The compensation paid or payable to key management for employee services is shown below:

	2022	2021
	SR	SR
Short-term employee benefits	1,719,550	1,338,436
Employee terminal benefits	260,706	64,397
Total compensation of key management personnel	<u>1,980,256</u>	<u>1,402,833</u>

6.3 Related party balances

Significant year-end balances arising from transactions with related parties are as follows:

a) Due from related parties

<i>Nature of relationship</i>	2022	2021
	SR	SR
Funds under management	10,922,226	103,650,808
	<u>10,922,226</u>	<u>103,650,808</u>

7 Revenue from contracts with customers

The disaggregation of the Company's revenue from contracts with customers is as follows:

	2022	2021
	SR	SR
<i>Types of services</i>		
Assets management and monitoring fees	40,388,322	16,452,983
Arranging fees	12,817,250	1,000,000
Structuring fees	1,828,757	780,000
Carried interest fees	1,033,602	80,967,018
	<u>56,067,931</u>	<u>99,200,001</u>

	2022	2021
	SR	SR
<i>Types of customers</i>		
Related party	43,070,681	98,200,001
Third party	12,997,250	1,000,000
	<u>56,067,931</u>	<u>99,200,001</u>

All revenue is generated in the Kingdom of Saudi Arabia

	2022	2021
	SR	SR
<i>Timing of revenue recognition</i>		
Services transferred at point in time	15,679,609	82,747,018
Services transferred over time	40,388,322	16,452,983
	<u>56,067,931</u>	<u>99,200,001</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

8 PROPERTY AND EQUIPMENT

	<i>Office equipment SR</i>	<i>Furniture and fixtures SR</i>	<i>Computer equipment SR</i>	<i>Leasehold improvements SR</i>	<i>Total SR</i>
Cost:					
At 31 December 2020	13,101	50,150	100,959	308,483	472,693
Additions	-	1,607	97,986	775,241	874,834
At 31 December 2021	13,101	51,757	198,945	1,083,724	1,347,527
Additions	-	448,715	11,098	1,725,465	2,185,178
Disposals	-	-	(4,781)	-	(4,781)
At 31 December 2022	13,101	500,372	205,262	2,809,189	3,527,924
Accumulated depreciation:					
At 31 December 2020	4,723	18,081	48,979	111,224	183,007
Charge for the year	2,613	10,167	55,075	73,846	141,701
At 31 December 2021	7,336	28,248	104,054	185,070	324,708
Charge for the year	2,613	70,301	47,450	369,297	489,661
Disposals	-	-	(797)	-	(797)
At 31 December 2022	9,949	98,549	150,707	554,367	813,572
Net book amount					
At 31 December 2022	3,152	401,823	54,555	2,254,822	2,714,352
At 31 December 2021	5,765	23,509	94,891	898,654	1,022,819

9 LEASES

The Company has a lease contract for its office premises. Lease of office premises has lease term of 8 years.

Set out below are the carrying amounts of **right-of-use assets** recognised and the movements during the year ended 31 December:

	<i>Total SR</i>
At 31 December 2020	46,351
Additions	5,346,896
Depreciation expense	(531,925)
As at 31 December 2021	4,861,322
Depreciation expense	(678,352)
As at 31 December 2022	4,182,970

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

9 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December:

	2022 SR	2021 SR
At the beginning of the year	4,794,817	-
Additions	-	5,346,896
Accretion of interest	91,854	49,387
Payments	(336,000)	(601,466)
At the end of the year	4,550,671	4,794,817
Current	592,078	427,854
Non-current	3,958,593	4,366,963

The following are the amounts recognised in profit or loss:

	2022 SR	2021 SR
Depreciation of right-of-use assets	678,352	531,925
Interest expense on lease liabilities	91,854	49,387
Total amount recognised in profit or loss	770,206	581,312

10 INTANGIBLE ASSETS

	2022 SR	2021 SR
<i>Cost:</i>		
At the beginning of the year	8,120	5,000
Additions	-	3,120
At the end of the year	8,120	8,120
<i>Accumulated amortisation:</i>		
At the beginning of the year	3,706	1,500
Charge for the year	4,414	2,206
At the end of the year	8,120	3,706
<i>Net book amount</i>	-	4,414

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022 SR	2021 SR
Value added tax payable	1,301,308	13,493,607
Employee related accruals	957,190	1,015,776
Advances from customer	816,000	903,200
Others	361,859	210,435
	3,436,357	15,623,018

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

12 OTHER OPERATING EXPENSES

	2022 SR	2021 SR
Other expenses	399,952	333,509
Marketing and advertising expenses	345,600	5,600
Insurance	233,901	115,920
Subscriptions fees	189,928	130,593
Office supplies	164,326	127,534
Utilities	128,816	49,305
Banking expenses	103,486	2,402
Governmental expenses	86,304	52,546
	<u>1,652,313</u>	<u>817,409</u>

13 ZAKAT PAYABLE

13.1 Zakat charge

The zakat charge is based on the following:

	2022 SR	2021 SR
Equity	5,000,000	5,000,000
Opening provisions and other adjustments	15,234,191	4,882,432
Book value of long-term assets	(6,897,322)	(6,893,320)
	<u>13,336,869</u>	<u>2,989,112</u>
Adjusted zakat base for the Gregorian year	13,472,902	3,081,994
Adjusted net income (note 13.2)	22,278,425	89,198,565
Zakat base	<u>35,751,327</u>	<u>92,280,559</u>
Zakat	<u>893,783</u>	<u>2,307,014</u>

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income.

13.2 Adjusted net income (loss)

	2022 SR	2021 SR
Income before zakat	22,124,755	89,015,134
Provisions charged to the current year accounts	153,670	183,431
Adjusted net income for the year	<u>22,278,425</u>	<u>89,198,565</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

13 ZAKAT PAYABLE (continued)

13.3 Zakat provision

	2022 SR	2021 SR
At the beginning of the year	2,307,014	100,595
Provisions		
Provided for current year	893,783	2,307,014
Adjustments related to prior period	-	-
Payment	3,200,797 (2,307,014)	2,407,609 (100,595)
At the end of the year	<u>893,783</u>	<u>2,307,014</u>

13.4 Status of assessments

The Company has filed the zakat return for the years till 31 December 2021, however, the zakat assessment has not yet been raised by the ZATCA.

14 EMPLOYEE TERMINAL BENEFIT OBLIGATIONS

The Company's employee terminal benefit obligations plan is an unfunded plan.

14.1 Changes in employee benefit obligations

	2022 SR	2021 SR
At the beginning of the year	346,454	150,987
Charged to profit or loss:		
Current service cost	145,219	183,431
Interest expense	8,451	3,329
Transfers from related parties	153,670	186,760
Charged to other comprehensive income:	114,388	
Actuarial changes arising from experience adjustments	(11,979)	72,079
Payment during the year	(11,979) (44,598)	72,079 (63,372)
At the end of the year	<u>557,935</u>	<u>346,454</u>

14.2 Assumptions used and risks

	2022 SR	2021 SR
Discount rate	2.80 %	2.80 %
Future salary increases	1.00 %	1.00 %
Weighted average future number of years of service	24.45	23.73

The employee benefit obligations typically expose the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

14 EMPLOYEE TERMINAL BENEFIT OBLIGATIONS (continued)

14.2 Assumptions used and risks (continued)

a. Interest risk

As explained in note 2.2.11, the discount rate used to calculate the present value of the employee benefit obligations is estimated by reference to yields on the governmental bonds. A decrease in the bond interest rate will increase the employee benefit obligations.

b. Longevity risk

The present value of the employee benefit obligations is calculated by reference to the best estimate of the number of years of employment. An increase in the number of the remaining years of employment will increase the employee benefit obligations.

c. Salary risk

The employee benefit obligations are calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the employee benefit obligations.

14.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the employee benefit obligations as at year end is shown below:

	2022 SR	2021 SR
Discount rate:		
1% increase	436,275	336,272
1% decrease	481,506	370,555
Future salary increases:		
1% increase	479,733	363,267
1% decrease	434,003	328,634

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the employee benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefit obligations recognised in the statement of financial position.

15 SHARE CAPITAL

The authorised, issued and paid-up share capital of the Company as at 31 December 2022 and 2021 was SR 5,000,000 consisted of 500,000 shares of SR 10 par value.

16 STATUTORY RESERVE

In accordance with the Companies' Law in Saudi Arabia and the Company's By-laws, the Company is required to establish a statutory reserve by appropriation of 10% of annual net income after absorption of accumulated losses until such reserve equals 30% of its share capital. The reserve is not available for distribution.

17 DIVIDENDS

On 22 May 2022, the company's Board of Directors approved to make distribution to shareholders amounting to SR 76,450,000 for the year ended 31 December 2021.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

18 SALARIES AND EMPLOYEE-RELATED EXPENSES

	2022	2021
	SR	SR
Salaries and employee benefits	28,955,493	7,358,664
Social security expense	706,610	545,150
Employee terminal benefit (note 14)	153,670	186,760
	<u>29,815,773</u>	<u>8,090,574</u>

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, other financial assets at amortised cost and amounts due from related parties. Financial liabilities consist of other liabilities. The fair values of financial assets and financial liabilities approximate their carrying values at the reporting date mainly due to the short-term maturities of these instruments.

As at 31 December 2022 and 2021, there were no financial instruments measured at fair value.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise other liabilities. The Company's principal financial assets include cash and cash equivalents, other financial assets at amortised cost and amounts due from related parties that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk applicable to the Company comprises two types of risk: Interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is not exposed to cash flow and fair value interest rate risk as it does not have any interest-bearing financial instruments as at the year-end.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency).

The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the reporting period. As Saudi Riyals are pegged to US Dollars, balances in US Dollars are not considered to represent significant currency risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with a bank having sound credit ratings. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	2022 SR	2021 SR
Cash at bank	26,698,663	3,727,328
Amount due from related parties	10,922,226	103,650,808
Other financial assets at amortised cost	-	257,760
	<u>37,620,889</u>	<u>107,635,896</u>

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss. As at 31 December 2022, the Company has outstanding balances with related parties, which is being settled as per the agreed terms with no prior historical credit loss experience. For other financial assets, management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realise financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	<i>Less than 3 months SR</i>	<i>More than 3 and less than 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2022				
Lease liabilities	336,000	336,000	4,193,280	4,865,280
Other liabilities	816,000	222,477	-	1,038,477
	<u>1,152,000</u>	<u>558,477</u>	<u>4,193,280</u>	<u>5,903,757</u>
31 December 2021				
Lease liabilities	336,000	-	4,865,280	5,201,280
Other liabilities	903,200	116,308	-	1,019,508
	<u>1,239,200</u>	<u>116,308</u>	<u>4,865,280</u>	<u>6,220,788</u>

Impact Financial Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

21 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

In accordance with CMA circular number X/6/11098/14 dated 19 November 2014 read in conjunction with Article 74 (b) of the Prudential Rules issued by the CMA (the "Rules"), given below are the capital base, minimum capital requirements and total capital ratio as at 31 December 2022 and 2021:

	2022 SR '000'	2021 SR '000'
Capital base:		
Tier 1 capital	35,424	90,627
Total capital base	<u>35,424</u>	<u>90,627</u>
Minimum capital requirement:		
Credit risk	5,464	27,129
Operational risk	8,714	4,089
Total minimum capital required	<u>14,178</u>	<u>31,218</u>
Capital adequacy ratio:		
Tier 1 capital ratio (time)	2.5	2.9
(Deficit) Surplus in capital	<u>21,246</u>	<u>59,409</u>

- a) The above information has been extracted from the annual Capital Adequacy Model for the year ended 31 December 2022 to be submitted and 31 December 2021 submitted to CMA.
- b) The capital base consists of Tier 1 capital, the Company has no Tier 2 capital as per Article 4 and 5 of Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
- d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website. However, such information is not subject to review or audit by the external auditors of the Company.

22 COMMITMENT AND CONTINGENCIES

There are no contingencies as at the reporting date.

23 SUBSEQUENT EVENTS

There were no events subsequent to the reporting date which require adjustments of or disclosure in the financial statements or notes thereto.

24 ASSETS HELD UNDER FIDUCIARY CAPACITY

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company, since the Company does not earn economic benefits from these assets and accordingly treated as off balance sheet items.