

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

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

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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

**Qualified 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 2023, and the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion**

As per the terms and conditions signed between the Company and funds under management, an asset management fee income is recognized based on 1% of the total assets of the respective funds at each reporting date. Asset management fee income of SR 20,699,109 was included in the Company's income for the year ended 31 December 2023 and was presented under Asset Management and Monitoring Fee Income and outstanding receivable amount resulting from such income was included under Due from Related Parties as at 31 December 2023. We were unable to obtain sufficient appropriate audit evidence about the asset management fee income for the year and carrying amounts of receivable from such income as at 31 December 2023 because the valuation of total assets of certain funds under management were not completed. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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) ("the Code"), that is 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 that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.



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

**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.

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  
License No. 438

Riyadh: 21 Ramadan 1445  
(31 March 2024)





Impact Financial Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	9,703,782	26,702,970
Prepayments and other receivables	5	374,783	340,455
Due from related parties	6	1,500,918	10,922,226
<b>TOTAL CURRENT ASSETS</b>		<b>11,579,483</b>	<b>37,965,651</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment	7	2,293,346	2,714,352
Right-of-use assets	8	3,548,133	4,182,970
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,841,479</b>	<b>6,897,322</b>
<b>TOTAL ASSETS</b>		<b>17,420,962</b>	<b>44,862,973</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Lease liabilities – current portion	8	603,957	592,078
Accrued expenses and other liabilities	10	2,665,366	3,436,357
Zakat payable	14	263,246	893,783
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,532,569</b>	<b>4,922,218</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee terminal benefit obligations	15	685,939	557,935
Lease liabilities	8	3,354,636	3,958,593
<b>TOTAL LIABILITIES</b>		<b>4,040,575</b>	<b>4,516,528</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	5,000,000	5,000,000
Statutory reserve	17	1,500,000	1,500,000
Retained earnings		3,347,818	28,924,227
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>9,847,818</b>	<b>35,424,227</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>17,420,962</b>	<b>44,862,973</b>

The attached notes 1 to 23 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 2023

	<i>Notes</i>	2023 SR	2022 SR
<b>OPERATING INCOME</b>			
Asset management and monitoring fees	11	20,699,109	40,388,322
Arranging and consulting fees	11	160,000	12,817,250
Structuring fees	11	541,354	1,828,757
Carried interest fees	11	-	1,033,602
Dividend income	6	486,432,155	-
Loss on financial asset at fair value through profit or loss (FVTPL)	9	(210,338,781)	-
<b>TOTAL OPERATING INCOME</b>		<b>297,493,837</b>	<b>56,067,931</b>
<b>OPERATING EXPENSES</b>			
Salaries and employee-related expenses	12	(303,349,891)	(29,815,773)
Depreciation and amortization	7 & 8	(1,395,675)	(1,172,427)
Professional and legal expenses		(1,127,382)	(1,230,872)
Other operating expenses	13	(2,694,825)	(1,652,313)
<b>TOTAL OPERATING EXPENSES</b>		<b>(308,567,773)</b>	<b>(33,871,385)</b>
<b>(LOSS) / INCOME FROM OPERATIONS</b>		<b>(11,073,936)</b>	<b>22,196,546</b>
Other income, net		719,498	20,063
Finance charges		(79,922)	(91,854)
<b>(LOSS) / INCOME FOR THE YEAR BEFORE ZAKAT</b>		<b>(10,434,360)</b>	<b>22,124,755</b>
Zakat	14	(263,246)	(893,783)
<b>NET (LOSS) / INCOME FOR THE YEAR</b>		<b>(10,697,606)</b>	<b>21,230,972</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain on employee terminal benefit	15	121,197	11,979
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<b>(10,576,409)</b>	<b>21,242,951</b>

The attached notes 1 to 23 form an integral part of these financial statements.

Impact Financial Company  
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance as at 1 January 2022	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 18)	-	-	(76,450,000)	(76,450,000)
Balance as at 31 December 2022	5,000,000	1,500,000	28,924,227	35,424,227
Net loss for the year	-	-	(10,697,606)	(10,697,606)
Other comprehensive income for the year	-	-	121,197	121,197
Total comprehensive loss for the year	-	-	(10,576,409)	(10,576,409)
Dividends (Note 18)	-	-	(15,000,000)	(15,000,000)
<b>Balance as at 31 December 2023</b>	<b>5,000,000</b>	<b>1,500,000</b>	<b>3,347,818</b>	<b>9,847,818</b>

The attached notes 1 to 23 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 2023

	Notes	2023 SR	2022 SR
<b>Cash flows from operating activities</b>			
(Loss) / income for the year before zakat		(10,434,360)	22,124,755
Adjustments to reconcile income before zakat to net cash flows:			
Depreciation of property and equipment	7	760,838	489,661
Depreciation of right-of-use assets	8	634,837	678,352
Amortisation of intangible assets		-	4,414
Employee terminal benefit obligations		268,431	153,670
Finance charges	8	79,922	91,854
Dividend income	6	(486,432,155)	-
Bonus issued	9	289,625,362	-
Loss on financial asset at FVTPL	9	210,338,781	-
		<u>4,841,656</u>	<u>23,542,706</u>
<i>Working capital changes:</i>			
(Increase) decrease in prepayments and other receivables		(34,328)	91,262
(Increase) decrease in due from related parties		(11,320,184)	92,728,581
Decrease in accrued expenses and other liabilities		(770,991)	(12,186,660)
Cash flows (used in) from operations		<u>(7,283,847)</u>	<u>104,175,889</u>
Zakat paid	14	(893,783)	(2,307,014)
Employee terminal benefits paid	15	(19,231)	(44,598)
Transfer to employee terminal benefits		-	114,388
Dividend received	6	7,209,505	-
Net cash flows (used in) from operating activities		<u>(987,356)</u>	<u>101,938,664</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	7	(339,832)	(2,185,178)
Disposal of property and equipment		-	3,984
Net cash flows used in investing activities		<u>(339,832)</u>	<u>(2,181,193)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	18	(15,000,000)	(76,450,000)
Payment of principal portion of lease liabilities	8	(672,000)	(336,000)
Net cash flows used in financing activities		<u>(15,672,000)</u>	<u>(76,786,000)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(16,999,188)</u>	<u>22,971,471</u>
Cash and cash equivalents at the beginning of the year		<u>26,702,970</u>	<u>3,731,499</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>9,703,782</u>	<u>26,702,970</u>
<b>Non-cash transactions</b>			
Remeasurement loss on employee terminal benefit	15	121,197	11,979
Addition to financial asset at FVTPL	9	20,741,492	-
Dividend income received	9	479,222,651	-

The attached notes 1 to 23 form an integral part of these financial statements.

# Impact Financial Company (A Saudi Closed Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

### 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 18 Ramadan 1445H (corresponding to 28 March 2023).

### 2 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 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 MATERIAL ACCOUNTING POLICIES INFORMATION

The following are the material accounting policies applied by the Company in preparing its 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 (A Saudi Closed Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

### 2 ACCOUNTING POLICIES (continued)

#### 2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (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.

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, 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.



# Impact Financial Company (A Saudi Closed Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

### 2 ACCOUNTING POLICIES (continued)

#### 2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (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, 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. 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.

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 as follows:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

##### **Financial assets at amortised cost**

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 cash and cash equivalents, amounts due from related parties and other receivables.

##### **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.

##### **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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**2 ACCOUNTING POLICIES (continued)**

**2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

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

**Impairment**

The Company applies a simplified approach in calculating ECLs for amounts due from related parties and other receivables. 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 recognised initially at fair value, net of directly attributable transaction costs and classified at amortized cost. The Company's financial liabilities include accrued expenses and other liabilities.

**Subsequent measurement**

For purposes of subsequent measurement, financial liabilities are classified at amortised cost.

**Financial liabilities at amortised cost**

This is the category most relevant to the Company. Other liabilities are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

**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 counter party 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.

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 |



Impact Financial Company  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**2 ACCOUNTING POLICIES (continued)**

**2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.2.5 Property and equipment (continued)**

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 2023

**2 ACCOUNTING POLICIES (continued)**

**2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.2.7 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.

**2.2.8 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 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 and dividend income is 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.

**2.2.9 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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2 ACCOUNTING POLICIES (continued)**

**2.2 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.2.10 Foreign currencies**

**(i) Functional and presentation currencies**

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.

**2.2.11 New standards, amendments and interpretations 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 (unless otherwise stated).

**IFRS 17 Insurance Contracts**

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. 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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, 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, 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's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's 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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**2 ACCOUNTING POLICIES (continued)**

**2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.2.11 New standards, amendments and interpretations adopted by the Company (continued)**

**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:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- 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.

**2.2.12 Standards issued but not yet effective**

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

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

In September 2022, the IASB issued amendments to IFRS 16 to specify 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 effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. 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 and October 2022, 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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's financial statements.



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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

**2 ACCOUNTING POLICIES (continued)**

**2.2 SUMMARY OF MATERIAL ACCOUNTING POLICIES INFORMATION (continued)**

**2.2.12 Standards issued but not yet effective (continued)**

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

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments 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.

**Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability**

The amendments state that a currency is exchangeable when an entity is able to exchange that currency for another currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. A currency is not exchangeable into another currency if an entity can only obtain an insignificant amount of the other currency.

If a currency is not exchangeable at the measurement date, the entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction between market participants at the measurement date under prevailing economic conditions. If a currency is not exchangeable, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The pronouncement also includes a new appendix with application guidance on exchangeability and a new illustrative example.

An entity does not apply the amendments retrospectively. Instead, an entity recognises any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. If an entity uses a presentation currency other than its functional currency, it recognises the cumulative amount of translation differences in equity.

**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.

***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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

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

*Employee benefit obligations (continued)*

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.

*Leases - Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**4 CASH AND CASH EQUIVALENTS**

	2023 SR	2022 SR
Short term deposits (i)	7,825,407	-
Cash at bank	1,878,375	26,702,970
	<u>9,703,782</u>	<u>26,702,970</u>

- (i) Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn commission at the rate of 5.75% (2022: Nil).

**5 PREPAYMENTS AND OTHER RECEIVABLES**

	2023 SR	2022 SR
Prepaid expenses	183,702	340,455
Employee receivable	132,000	-
Trade receivable	59,081	-
	<u>374,783</u>	<u>340,455</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**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 shareholder can direct the activities of the Company without cooperation of other shareholders.

The Company has the following Funds and SPVs under management:

- 1 Impact Venture Capital Fund (previously known as Impact Private Equity Fund)
- 2 Impact Growth Fund
- 3 Impact Seed Fund
- 4 Venture Capital InsurTech Fund
- 5 Venture Capital Fintech Fund
- 6 Venture Capital in Electronic Stores Sector Fund
- 7 Venture Capital in Electronic Services Sector Fund
- 8 Venture Capital E-Commerce, and Online sales sector Fund
- 9 Impact Fund Third version
- 10 Venture Capital Emerging Technologies Fund
- 11 SPV-A
- 12 SPV-B
- 13 SPV-C

**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 transactions</i>	2023	2022
		SR	SR
Funds under management	Dividend income (b)	486,432,155	-
	Financial asset at FVTPL	20,741,492	-
	Assets management and monitoring fees (a)	20,699,109	40,208,322
	Expenses paid on behalf of Funds	11,829,297	697,081
	Structuring fees	541,354	1,828,757
	Impact Venture Capital Fund – Information Technology and E-Commerce Sector (d)	1,813	-
	Carried interest fees (c)	-	1,033,602

**a. Asset management and monitoring fee**

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

- i. Fee earned from **Impact Venture Capital Fund - Information Technology and E-Commerce Sector - Under Liquidation** (previously known as Impact Private Equity Fund - Information Technology and E-Commerce Sector) for the year ended 31 December 2023 amounted to SR 7,868,141 (31 December 2022: SR 31,920,822), exclusive of value-added tax, with SR Nil due from the fund as at 31 December 2023 (31 December 2022: SR 9,177,236).
- ii. Fee earned from **Impact Seed Fund** for the year ended 31 December 2023 amounted to SR 2,000,000 (31 December 2022: SR 3,033,602), exclusive of value-added tax, with SR Nil due from the fund as at 31 December 2023 (31 December 2022: SR 191,667).



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

*a. Asset management and monitoring fee*

- iii. Fee earned from **Impact Growth Fund** for the year ended 31 December 2023 amounted to SR 4,896,000 (31 December 2022: SR 4,882,400), exclusive of value-added tax, with SR Nil due from the fund as at 31 December 2023 (31 December 2022: Nil).
- iv. Fee earned from **Impact Fund Third version** for the year ended 31 December 2023 amounted to SR 3,376,083 (31 December 2022: SR Nil), exclusive of value-added tax, with SR Nil due from the fund as at 31 December 2023 (31 December 2022: 34,420).
- v. Fee earned from **Venture Capital InsurTech Fund** for the year ended 31 December 2023 amounted to SR 1,135,891 (31 December 2022: SR Nil), exclusive of value-added tax, with SR 325,699 due from the fund as at 31 December 2023 (31 December 2022: 224,250).
- vi. Fee earned from **other funds** for the year ended 31 December 2023 amounted to SR 1,422,994 (31 December 2022: SR 551,498), exclusive of value-added tax, with SR 1,175,219 due from the funds as at 31 December 2023 (31 December 2022: 1,234,917).

*b. Dividend income*

During the year ended 31 December 2023, the Company received dividend from;

- i. **Impact Venture Capital Fund - Information Technology and E-Commerce Sector - Under Liquidation** (previously known as Impact Private Equity Fund - Information Technology and E-Commerce Sector) amounting to SR 479,222,651 (31 December 2022: Nil) in the form of shares of Jahez International Company for Information Systems Technology (note 9).
- ii. **Venture Capital E-Commerce, and Online sales sector Fund** amounting to SR 2,023,020 (31 December 2022: Nil) in the form of cash.
- iii. **Impact Seed Fund** amounting to SR 2,755,056 (31 December 2022: Nil) in the form of cash.
- iv. **Impact Growth Fund** amounting to SR 2,431,428 (31 December 2022: Nil) in the form of cash.

*c. Carried interest fee*

The Company charged carried interest fee at the rate of 20% on the realised gains generated by the fund on disposal of fund's investments during the year ended 31 December 2022. For **Impact Seed Fund** total carried interest fee charged was SR 1,033,602, exclusive of value-added tax.

*d. Units Acquired in Fund*

During the year ended 31 December 2023, the Company acquired 10 units in **Impact Venture Capital Fund - Information Technology and E-Commerce Sector - Under Liquidation** (previously known as Impact Private Equity Fund - Information Technology and E-Commerce Sector) amounting to SR 1,813.

**6.2 Key management compensation**

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

	2023 SR	2022 SR
Short-term employee benefits	296,596,246	1,719,550
Employee terminal benefits	268,924	260,706
Total compensation of key management personnel	<u>296,865,170</u>	<u>1,980,256</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

6.3 Related party balances

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

<i>Funds under management</i>	2023 SR	2022 SR
Venture Capital E-Commerce, and Online sales sector Fund	763,895	853,632
Venture Capital InsurTech Fund	325,699	224,250
Venture Capital in Electronic Stores Sector Fund	190,313	-
Venture Capital in Electronic Services Sector Fund	69,871	-
SPV-A	85,664	59,736
Venture Capital Fintech Fund	65,476	67,562
Impact Seed Fund	-	191,667
Venture Capital Emerging Technologies Fund	-	313,723
Impact Fund Third version	-	34,420
Impact Venture Capital Fund (previously known as Impact Private Equity Fund)	-	9,177,236
	<u>1,500,918</u>	<u>10,922,226</u>

7 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>
<b>Cost:</b>					
At 31 December 2021	13,101	51,757	198,945	1,083,724	1,347,527
Additions	-	448,615	11,098	1,725,465	2,185,178
Disposals	-	-	(4,781)	-	(4,781)
	<u>13,101</u>	<u>500,372</u>	<u>205,262</u>	<u>2,809,189</u>	<u>3,527,924</u>
At 31 December 2022	13,101	500,372	205,262	2,809,189	3,527,924
Additions	-	63,396	31,745	244,690	339,832
	<u>13,101</u>	<u>563,768</u>	<u>237,008</u>	<u>3,053,879</u>	<u>3,867,756</u>
<b>Accumulated depreciation:</b>					
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)
	<u>9,949</u>	<u>98,549</u>	<u>150,707</u>	<u>554,367</u>	<u>813,572</u>
At 31 December 2022	9,949	98,549	150,707	554,367	813,572
Charge for the year	3,152	114,742	53,091	589,853	760,838
	<u>13,101</u>	<u>213,291</u>	<u>203,798</u>	<u>1,144,220</u>	<u>1,574,410</u>
<b>Net book amount</b>					
At 31 December 2023	<u>-</u>	<u>350,477</u>	<u>33,210</u>	<u>1,909,659</u>	<u>2,293,346</u>
At 31 December 2022	<u>3,152</u>	<u>401,823</u>	<u>54,555</u>	<u>2,254,822</u>	<u>2,714,352</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**8 RIGHT OF USE ASSET AND LEASE LIABILITY**

**8.1 Rights of use asset**

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:

	2023 SR	2022 SR
At the beginning of the year	4,182,970	4,861,322
Depreciation expense	(634,837)	(678,352)
At the end of the year	<u>3,548,133</u>	<u>4,182,970</u>

**8.2 Lease liabilities**

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

	2023 SR	2022 SR
At the beginning of the year	4,550,671	4,794,817
Accretion of interest	79,922	91,854
Payments	(672,000)	(336,000)
At the end of the year	<u>3,958,593</u>	<u>4,550,671</u>
Current portion of lease liability	<u>603,957</u>	<u>592,078</u>
Non-current portion of lease liability	<u>3,354,636</u>	<u>3,958,593</u>

The following are the amounts recognised in statement of profit or loss:

	2023 SR	2022 SR
Depreciation of right-of-use assets	634,837	678,352
Interest expense on lease liabilities	79,922	91,854
	<u>714,759</u>	<u>770,206</u>

**9 FINANCIAL ASSET AT FVTPL**

During the year ended 31 December 2023, the Company acquired 10 units in **Impact Venture Capital Fund - Information Technology and E-Commerce Sector - Under Liquidation** ("the Fund") (previously known as Impact Private Equity Fund - Information Technology and E-Commerce Sector) amounting to SR 100.

Upon liquidation of the Fund on 7 May 2023, the Company received 655,261 shares of Jahez International Company for Information Systems Technology ("Jahez") (having fair value of SR 499,964,143) from Impact Venture Capital Fund - Information Technology and E-Commerce Sector (the fund managed by the Company). Out of the 655,261 shares of Jahez, 628,077 shares (amounting to SR 479,222,651) were against the settlement of dividend distribution and 27,182 shares (amounting to SR 20,741,492) were in settlement of management fees due from the fund.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2023

**9 FINANCIAL ASSET AT FVTPL (continued)**

The movement in financial asset at FVTPL is as follows:

	2023 SR
<b>Jahez International Company for Information Systems Technology</b>	
Cost	499,964,143
Realised loss on financial assets at FVTPL	(210,338,781)
Transfer of shares to employee (i)	(289,625,362)
	<u>-</u>

- (i) On 1 November 2023, the Company's Board of Directors approved the transfer of (all of) 655,261 shares in Jahez to the Chief Executive Officer of the Company as settlement of bonus for the year ended 31 December 2023. The legal formalities to transfer ownership of shares were not completed at year end.

**10 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2023 SR	2022 SR
Employee benefits	838,347	957,190
Advances from customer	835,854	816,000
Value added tax payable	525,527	1,301,308
Others	465,638	361,859
	<u>2,665,366</u>	<u>3,436,357</u>

**11 Revenue from contracts with customers**

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

	2023 SR	2022 SR
<b><i>Types of services</i></b>		
Assets management and monitoring fees	20,699,109	40,388,322
Arranging and consulting fee	160,000	12,817,250
Structuring fees	541,354	1,828,757
Carried interest fees	-	1,033,602
	<u>21,400,463</u>	<u>56,067,931</u>

	2023 SR	2022 SR
<b><i>Types of customers</i></b>		
Related party	21,240,463	43,070,681
Third party	160,000	12,997,250
	<u>21,400,463</u>	<u>56,067,931</u>

All revenue is generated in the Kingdom of Saudi Arabia

	2023 SR	2022 SR
<b><i>Timing of revenue recognition</i></b>		
Services transferred over time	20,699,109	40,388,322
Services transferred at point in time	701,354	15,679,609
	<u>21,400,463</u>	<u>56,067,931</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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**12 SALARIES AND EMPLOYEE-RELATED EXPENSES**

	2023 SR	2022 SR
Salaries and employee benefits (i)	302,277,949	28,955,493
Social security expense	803,511	706,610
Employee terminal benefit (note 15)	268,431	153,670
	<u>303,349,891</u>	<u>29,815,773</u>

(i) This mainly comprises of the transfer of all 655,261 shares in Jahez amounting to SR 289,625,362 (note 9) to the Chief Executive Officer of the Company against settlement of bonus for the year ended 31 December 2023.

**13 OTHER OPERATING EXPENSES**

	2023 SR	2022 SR
Marketing and advertising expenses	662,463	345,600
Subscriptions fees	532,658	189,928
Insurance	255,209	233,901
Training expenses	398,122	199,233
Utilities	326,867	128,816
Meals and entertainment	123,145	164,326
Governmental expenses	78,173	86,304
Miscellaneous	318,188	304,205
	<u>2,694,825</u>	<u>1,652,313</u>

**14 ZAKAT PAYABLE**

**14.1 Zakat charge**

The zakat charge is based on the following:

	2023 SR	2022 SR
Equity	5,000,000	5,000,000
Opening provisions and other adjustments	20,760,869	15,234,191
Book value of long-term assets	(5,841,479)	(6,897,322)
	<u>19,919,390</u>	<u>13,336,869</u>
Adjusted zakat base for the Hirji year	20,538,354	13,472,902
Adjusted net (loss) income (note 14.2)	(10,008,510)	22,278,425
Zakat base	<u>10,529,844</u>	<u>35,751,327</u>
Zakat	<u>263,246</u>	<u>893,783</u>

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



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**14 ZAKAT PAYABLE (continued)**

**14.2 Adjusted net (loss) income**

	2023 SR	2022 SR
(Loss) income before zakat	<b>(10,434,360)</b>	22,124,755
Provisions charged to the current year accounts	<b>425,850</b>	153,670
Adjusted net (loss) income for the year	<b>(10,008,510)</b>	22,278,425

**14.3 Zakat provision**

	2023 SR	2022 SR
At the beginning of the year	<b>893,783</b>	2,307,014
Provisions		
Provided for current year	<b>263,246</b>	893,783
Payment	<b>(893,783)</b>	(2,307,014)
At the end of the year	<b>263,246</b>	893,783

**14.4 Status of assessments**

The Company has filed the zakat return for the years till 31 December 2022, however, the zakat assessment has not yet been raised by the ZATCA.

**15 EMPLOYEE TERMINAL BENEFIT OBLIGATIONS**

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

**15.1 Changes in employee benefit obligations**

	2023 SR	2022 SR
At the beginning of the year	<b>557,935</b>	346,454
Charged to profit or loss:		
Current service cost	<b>252,809</b>	145,219
Interest expense	<b>15,622</b>	8,451
Transfers from related parties	<b>268,431</b>	153,670
Charged to other comprehensive income:		
Actuarial changes arising from experience adjustments	<b>-</b>	114,388
Payment during the year	<b>(121,197)</b>	(11,979)
At the end of the year	<b>(19,231)</b>	(44,598)
	<b>685,939</b>	557,935

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**15 EMPLOYEE TERMINAL BENEFIT OBLIGATIONS (continued)**

**15.2 Assumptions used and risks**

	2023	2022
Discount rate	4.75%	2.80 %
Future salary increases	1.00 %	1.00 %
Weighted average future number of years of service	2.3	1.9

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

**a. Commission risk**

As explained in note 2.2.9, 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 commission 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. Future 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.

**15.3 Sensitivity analysis**

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

	2023 SR	2022 SR
Discount rate:		
1% increase	633,772	436,275
1% decrease	746,169	481,506
Future salary increases:		
1% increase	751,612	479,733
1% decrease	628,336	434,003

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.

**16 SHARE CAPITAL**

The authorised, issued and paid-up share capital of the Company as at 31 December 2023 and 2022 was SR 5,000,000 consisted of 500,000 shares of SR 10 par value.



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**17 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. The Company has already met the minimum required statutory reserve, hence no transfer was made during the year.

**18 DIVIDENDS**

On 11 June 2023, the Company's Board of Directors approved to distribute dividend to shareholders amounting to SR 15,000,000 (31 December 2021: SR 76,450,000) for the year ended 31 December 2022.

**19 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial assets consist of cash and cash equivalents 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.

**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, 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 exposed to interest rate risk as it does have interest-bearing financial instruments as at the year-end.

The following table demonstrates the sensitivity to a reasonably possible change in interest income on financial instruments affected with all other variables held constant. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be significant.

	<i>Impact on profit or loss for the year ended 31 December</i>	
	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Change in profit rate:		
0.5% increase	<b>39,127</b>	-
0.5% decrease	<b>(39,127)</b>	-

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**20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**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.

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

	2023 SR	2022 SR
Cash at bank	9,703,782	26,698,663
Amount due from related parties	1,500,918	10,922,226
Other assets	59,081	-
	<u>11,263,781</u>	<u>37,620,889</u>

The Company applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss. As at 31 December 2023, 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>
<b>31 December 2023</b>				
Lease liabilities	336,000	336,000	3,521,280	4,193,280
Other liabilities	835,854	122,330	-	958,184
	<u>1,171,854</u>	<u>458,330</u>	<u>3,521,280</u>	<u>5,151,464</u>
<b>31 December 2022</b>				
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>



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**21 COMMITMENT AND CONTINGENCIES**

There are no commitments and contingencies as at the reporting date.

**22 SUBSEQUENT EVENTS**

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

**23 ASSETS HELD UNDER FIDUCIARY CAPACITY**

Assets held in trust or in a fiduciary capacity as at 31 December 2023 on behalf of the customers amounting to SR 915,718,709 (2022: 842,790, 689) 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.